

## Two die as terrorists machine gun and bomb El Al bus in London

One died and nine were badly injured in central London yesterday when terrorists machine-gunned a coach carrying Israeli aircrew. A Palestinian splinter group claimed responsibility. One of those who died was an

El Al hostess; the other was believed to be a terrorist, possibly blown up by his own grenade. The attack came as the crew of a flight from New York to Tel Aviv via Heathrow was leaving the coach outside the Europa Hotel.

### possibility for the ack claimed Palestinian group

Huckerby  
The Palestinian splinter group claimed responsibility for the attack on an Israeli coach in central London yesterday. The group, which is known as the Popular Front for the Liberation of Palestine - Special Operations, said it was responsible for the attack on the coach outside the Europa Hotel in Mayfair.

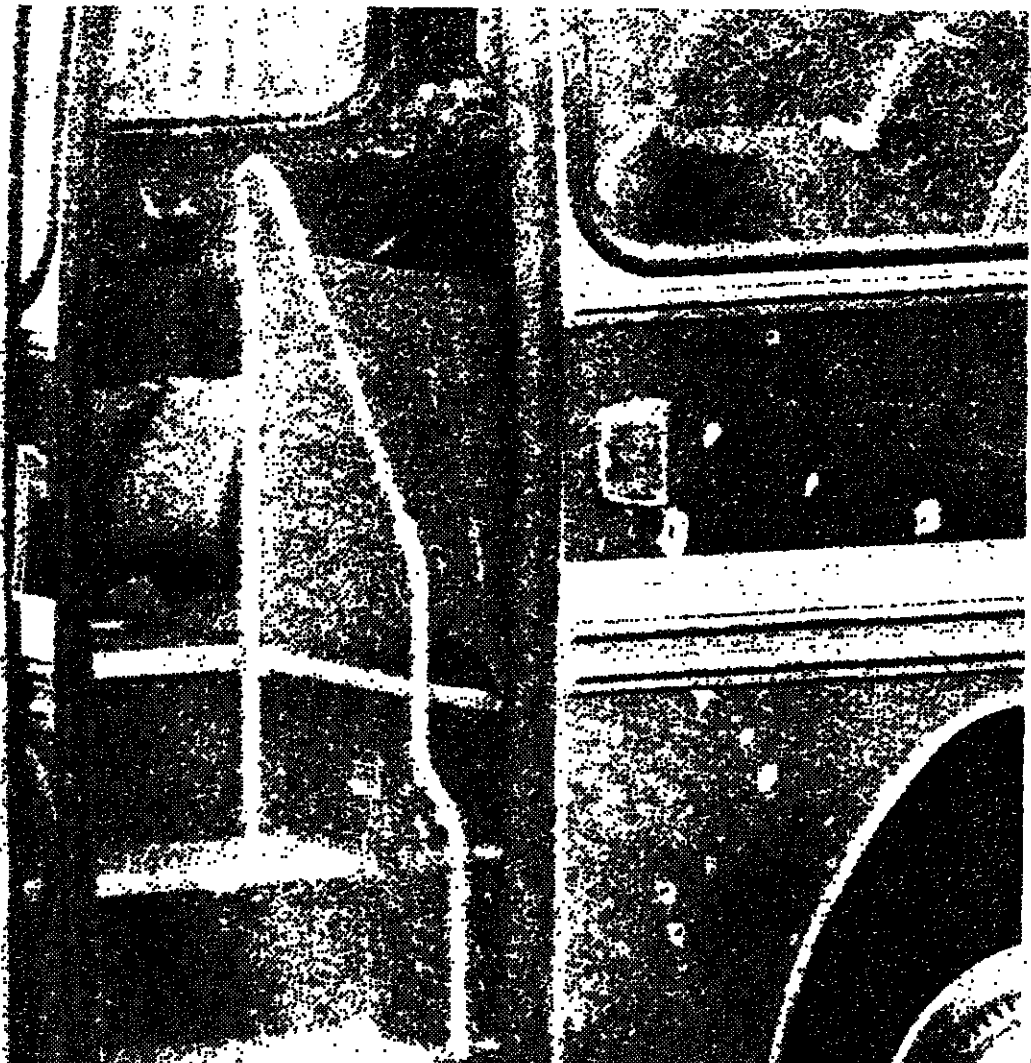
Two men, perhaps the coach driver and a taxi driver, were killed in the attack. The coach was carrying Israeli aircrew and a Palestinian splinter group claimed responsibility for the attack. The group, which is known as the Popular Front for the Liberation of Palestine - Special Operations, said it was responsible for the attack on the coach outside the Europa Hotel in Mayfair.

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The terrorists, at least two in number and all of middle Eastern appearance, attacked with a series of machine-gun bursts of sub-machine-gun fire. Mr Jacques Meray, the purser on the El Al flight, said that as he left the bus he saw a suspicious-looking man by the hotel entrance. As I got just next to the door, I saw that he was opening his bag. He took out a sub-machine-gun and started firing.

Mr Richard Oldridge, a chauffeur from Elrham, Kent, also saw the crew leaving the coach. "Suddenly a man appeared and ran alongside the coach as though he was trying to catch a bus. Somebody closed the coach doors and the man turned his back and produced a machine gun from his shoulder bag and started firing. He had his back to me and started firing in the direction of the hotel entrance. I turned round and shot inside a pub and dived on the floor."

Mr Johann du Plessis, a South African staying at the hotel, ran out from the lobby to find bodies lying in the street and "a man with a bag" running away down the street. The man disappeared along Brook Street. "I found an El Al hostess lying on her back with blood streaming from her nose and mouth. There were two other people lying near the hotel; one was another hostess, the other was a small Arab. His gun was lying next to him. It seemed that he had been killed by a hand-grenade or bomb he had been carrying."



The bullet-marked coach that was carrying El Al aircrew, after the grenade and machine-gun attack outside the Europa Hotel in Mayfair yesterday.

taxi in the driveway. I saw the taxi-driver blown out of his cab," he said.

He could not see the thrower, but Mr James Murray emerged from the Barley Mow public house, across a side street next to the hotel, to find the man in front of him.

Mr Murray, a public house manager, said: "I saw this chap taking stuff out of his bag and throwing it. It looked like glass phials. 'I was standing right behind him but he did not see me, because he was too busy taking stuff from his bag. I saw him throw three grenades at the coach.'"

Mr Thomas Buckley, a New York Times reporter staying near by, said that the dead man lying near the hotel, who is thought to have been one of the attackers, was small, with a moustache and cheap pointed shoes.

Mr John Rushton, of Nuffield College, Oxford, was in the Barley Mow when bullets started coming through the window. "All the customers hit the floor," he said. "One witness to the attack suggested that someone had been firing back from the coach, but Scotland Yard would not comment, and at the scene Commander James Nevill, of the Yard's anti-terrorist branch, said that as far as they knew all the shooting and the explosions had been by the assailants."

The terrorists used their sub-machine-guns with a lethal liberality. By the door of the coach there were a score of bullet holes; in travel agents' premises opposite the hotel there were more than 25 bullet holes in the windows and more in the brickwork. A trail of spent cartridge cases, probably nine millimetre, led down Duke Street to the east. Police at Heathrow, some armed, quickly stepped up security after the attack. As well as extra searches, there were heavy guards on El Al aircraft and at check-in desks. The dead stewardess was Irit Gidon, aged 29, from Kfar Galim, an agricultural settlement near Haifa. Two other stewardesses, Yehudit Arnon, aged 23, from Holon, and Michal Unger, aged 22, from Jerusalem, were injured. In Israel Mr Gidon was being kept in a minute-by-minute touch with the investigation into the attack.

## 377 killed in fire at Iranian cinema

From Tony Allaway  
Teheran, Aug 20

Police tonight blamed "treasonous elements" for the deaths of 377 cinema-goers in Iran's southern oil capital of Shiraz. Another 123 people were hurt, many critically, and 100 others escaped injury as flames engulfed the Rex cinema during a late performance last night.

Police said a caretaker at the cinema was arrested in a drunken condition and accused of helping the arsonists. Three more arson and bomb attacks on cinemas and restaurants were reported today in Teheran and the southern city of Shiraz, but there were no casualties.

Police said the Abadan strikers poured petrol around the cinema and let it seep inside before setting it ablaze. Witnesses also spoke of hearing loud explosions before flames shot up the cinema walls.

A key factor in the high death toll appeared to be that Mr Ali Nadani, the cinema owner, had locked the only exit when the film began. He was arrested for alleged negligence.

Witnesses said the cinema-goers panicked then they saw the flames and many died trampled underfoot in the rush to escape. Others were burnt or asphyxiated during desperate attempts to batter down the exit doors. The authorities decided to ignore strict Islamic laws and buried the bodies in a mass grave outside the city. Police said attempts to identify many of the bodies were impossible. General Muhammad Bagher Nemazi, the provincial governor, flew to Abadan to pass on the Shah's condolences to bereaved relatives and head a special investigation committee. He described the arsonists as a "bunch of godless human elements". So far the Government has maintained an official silence about the incident.

## Nigerian minister joins Mr Mugabe at Patriotic Front talks

From Lawrence Pinak  
Lusaka, Aug 20

Concluding a three-day summit between the two wings of the Patriotic Front, Mr Joshua Nkomo and Mr Robert Mugabe, the joint leaders, today agreed no more willing to compromise with white and black leaders in Salisbury.

The meeting took place amid reports that a new all-party conference on Rhodesia was imminent. But Mr Nkomo and Mr Mugabe said they were still willing to attend such talks, but indicated they would now demand more from their internal counterparts than ever before.

On Friday, after only a few hours of talks, Mr Mugabe abruptly flew to Lagos, returning with Brigadier Joseph Garba, the Nigerian Foreign Minister. The trip and Brigadier Garba's presence, set off speculation here over the role being played by the influential African state in the Rhodesian negotiations and the possibility of increased Nigerian involvement in the war.

The guerrilla leader left here today on board Brigadier Garba's aircraft. Mr Mugabe, head of the Zanu (Zimbabwe African National Union) wing of the front, would only say he had asked for increased military aid from Lagos, and claimed the Nigerian Foreign Minister had returned to Lusaka "on private business".

Asked if the Patriotic Front was seeking the introduction of Nigerian troops into the conflict, Mr Mugabe replied: "We have enough forces ourselves. What we need is arms." He said his meeting with Mr Nkomo resulted in nothing new on our side regarding the proposed all-party conference, adding that "the Patriotic Front is prepared to attend such talks if and when they are held". In a telephone interview, Mr Nkomo, head of the Zapu (Zimbabwe African People's Union) wing of the front, said that while the front agreed in April to take part, "this is August now and the nature of any conference is determined by the progress of the war". Asked if that meant that since the war was moving in the guerrilla's favour, there was no incentive to talk, the nationalist leader replied: "The war is going in our favour", so the nature of the conference must be in our favour. Neither man would directly confirm what nationalist sources have been saying for some time, with the continued success of the war, and growing problems within the interim government in Salisbury, there is no reason to negotiate. Mr Mugabe, however, came closest to putting that into words: "It is extremely important that we step up the war now that the enemy's showing visible signs of crumbling, and bring about the fall (of the Salisbury Government) as soon as possible." "We are for the complete overthrow of the regime and the replacement of its forces by our forces," he said. Mr Mugabe confirmed that the black signatories to the internal settlement would be executed after a Patriotic Front takeover. "We have given them a chance to retract, to repent, they have not chosen to," he told reporters. "Obviously the internal settlement would be executed after a Patriotic Front takeover."

Dr David Owen, the Foreign Secretary, said yesterday that he thought an all-party conference on Rhodesia would take place soon. As speculation grew about a possible conference to include Mr Ian Smith, the Rhodesian Prime Minister, and Patriotic Front leaders, Dr Owen said: "I want it as soon as it can be held." "I had always hoped we would get it towards the end of this month but it may now well go into September, but I hope not too long now." Dr Owen, interviewed on BBC radio, was asked: "You have no doubts at all it will happen?" He replied: "I think it will happen, yes." Asked whether he could believe Mr Smith was sincere in getting round the negotiating table, the Foreign Secretary said: "Well, you can never be sure. Throughout this whole exercise one has had to be patiently moving, so sometimes ahead, sometimes back. But all the time, if you look back over the past 18 months, there is a steady progress towards the recognition that there has to be a transfer of power to the majority and a new independent Zimbabwe."

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## Mr Smith edges closer to talks

From Nicholas Ashford  
Salisbury, Aug 20  
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## Facing 'astating' costs

Bill would immediately raise natural gas prices to more than \$4.50 per million Btu, a rise of more than 25% from the current price of \$3.50. The bill would also raise the price of oil to more than \$15 per barrel, a rise of more than 25% from the current price of \$12. The bill would also raise the price of coal to more than \$10 per ton, a rise of more than 25% from the current price of \$8. The bill would also raise the price of electricity to more than \$0.10 per kilowatt-hour, a rise of more than 25% from the current price of \$0.08. The bill would also raise the price of natural gas to more than \$4.50 per million Btu, a rise of more than 25% from the current price of \$3.50. The bill would also raise the price of oil to more than \$15 per barrel, a rise of more than 25% from the current price of \$12. The bill would also raise the price of coal to more than \$10 per ton, a rise of more than 25% from the current price of \$8. The bill would also raise the price of electricity to more than \$0.10 per kilowatt-hour, a rise of more than 25% from the current price of \$0.08.

## Germans fear more IRA bomb attacks

Bonn, Aug 20.—German security officials said today that they feared West Germany could become a considerable target for Irish Republican Army violence, after the bombing of British Rhine Army bases at the weekend. A British military spokesman at BAOR headquarters in Mönchengladbach said initial forensic tests indicated the eight bombs were probably the work of the IRA. If these suspicions are confirmed, it is an alarming development for Germany, a senior police officer involved in the hunt for the bombers said. The security officials said the devices, some of them extremely powerful, had evidently been intended as a warning and had not been placed to kill or maim. "If this was a warning, what will happen if the terrorists get serious next time?" the police officer said. No organization has publicly admitted responsibility for the attacks, which struck seven German towns late on Friday night and early yesterday. The bombs caused considerable structural damage but the only casualty was a woman soldier slightly injured by flying glass splinters. British and German experts today studied fragments of the bombs, three of which consisted of more than 50lb of explosives. The BAOR spokesman said the devices had been found to bear the hallmarks of the IRA, but he gave no details.—Reuters.

## RAF shadows crippled Soviet submarine

By a Staff Reporter  
A crippled Soviet nuclear submarine was being towed around the north coast of Scotland last night after breaking surface just west of Scotland on Saturday. The Echo II class submarine, which can carry nuclear missiles, was being towed by a Russian tugboat and escorted by several ships of the Soviet Northern Fleet. The operation was being shadowed by an RAF Nimrod reconnaissance aircraft from Kinloss and two United States Orion aircraft from Keflavik, in Iceland. A Royal Navy offshore patrol vessel, HMS Lifford, was last night sent from Rosyth to the area, about one hundred miles north-west of Cape Wrath. The 5,600-ton submarine broke surface on Saturday night after sending out calls for assistance to other units of the Soviet fleet. The Navy said. She was taken in tow by the tug boat, which is stationed off the Shetlands for such emergencies. The two were moving at about two knots and were believed to be heading for the Baltic. Escorting them were a Kresta II class guided-missile cruiser, a Kashin class guided-missile destroyer, a minesweeper, an oiler and a survey ship. The Echo II class submarine has eight missile launchers. The Russians made no request for assistance, the Navy said, and there were no fears of a nuclear hazard.

## Prague empty on eve of invasion day

Prague was almost deserted on the eve of the tenth anniversary of the Soviet-led invasion. Many people left for the weekend and most dissidents decided to spend the anniversary in the countryside on official advice. The police gave them the choice between a day in the sunshine or in a police cell. Security precautions were discreet. Page 3

## Father of prisoner is released

Mr Brendan Gallagher, who was detained on Saturday by the Special Branch when he arrived from Ulster to see a preview of a BBC film about his jailed son, Mr William Gallagher, was released yesterday. He is campaigning for his son's release from the Maze Prison at Long Kesh. Page 2

## Karpov scores two wins in an hour

Anatoly Karpov, the Soviet world chess champion, surged ahead to a 3-1 lead in his title match in the Philippines by winning two adjourned games against Viktor Korchnoi in roughly an hour. He needs three more victories to retain his title. Page 4

## Strike spreads

A strike by social workers over local bargaining rights has been extended to Tower Hamlets, London. Two other areas under strain. Newcastle upon Tyne and Southwark, have been badly affected. Page 2

## Police call renewed

Sir David McKeen, Metropolitan Police Commissioner, renewed his call for sweeping new powers for the police, who were fighting crime "with one hand tied behind their backs". Statutory backing would remove an officer's temptation to "bend the rules". Page 2

## White Paper 'unreal'

The Engineering Employers' Federation has sharply rejected the White Paper on employee participation in industry, describing it as "an unreal concept". It adds there is no sound reason why industrialists should be singled out for the infliction of a "false and dangerous principle". Page 13

## Clash in Hanoi

Vietnamese security forces used water hoses and tear gas to clear ethnic Chinese barricaded in a Hanoi hotel earlier this month, according to a Vietnamese official who said Peking was deliberately holding up visas for Chinese wishing to leave Vietnam. Page 4

## Tory policy attacked

The chairman of the Trades Union Congress rejected criticism of the Trade Union Committee for Labour Victory with a swingeing attack on Conservative policies. Page 2

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## HOME NEWS

## Social workers' strike is extended to a new London borough

By Christopher Thomas  
Labour Reporter

A strike by social workers in two problem areas is being extended today to the London Borough of Tower Hamlets, another area of heavy social strain.

It brings to nearly 700 the number of social workers striking in support of a claim for pay grades to be negotiated locally instead of nationally. Social workers in Lewisham, London, are to vote this week on whether to take limited action.

Welfare services in New-castle upon Tyne and the London Borough of Southwark have been badly affected by a week-long strike. Local officials of the National and Local Government Officers' Association (NALGO), which represents most of about 30,000 social workers, have instructed members to answer emergency calls.

Services that have been suspended include foster care visits, court reports, approval of new foster-parents, six-month reviews of children in care, registration of child minders and looking after children on supervision orders.

Southwark council is using other social services staff to deal with emergencies with emphasis on children in care. Other priority work includes statutory admissions to hospitals under the Mental Health Act, admission and discharge of children in care, and admissions to day and residential care for the elderly, mentally ill and handicapped.

NALGO's emergency committee, which authorizes strikes, is not due to meet this week, which indicates that the strike is ready for a long stoppage. The committee could be convened within 24 hours if there was an initiative, but so far the employers have refused to concede local negotiations.

Social workers have a long salary scale, but the average rate is probably just under £4,000. They want local bargaining rights for two main reasons: to raise the basic scales, and to negotiate extra pay in problem areas.

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## Increase of political violence in London

The last two years have contained a dramatic increase in the conflict of the Middle East being played out in London's streets. But Israelis have not been the main victims.

The most notable anti-Jewish shooting was the assassination attempt against Mr J. Edward Siff, president of Marks and Spencer, in December, 1973. A masked gunman burst into his home in St John's Wood and shot him at point blank range. The bullet lodged in Mr Siff's brain, but he survived.

Eight Arabs have been assassinated in London since 1977 and others have narrowly escaped.

Since the beginning of this year the toll reads: New Year's Eve, two Syrians killed in a car bomb explosion in Mayfair; January 5, Said Hammami, London representative of the Palestine Liberation Organisation, was shot dead in Mayfair; July 10, General Abdul Razak al-Naif, former premier of Iraq, died in hospital after being shot outside the Intercontinental Hotel in Mayfair.

On July 28 the Iraqi Ambassador to London escaped when a grenade was thrown under his car outside the embassy near Hyde Park.

In April 1977, Abdullah al-Hajj, Prime Minister of North Yemen, his wife, Fatima, and a minister at the Yemeni Embassy were shot dead outside the Royal Lancaster Hotel, Baywater.

Four months later a close friend of the late President Nasser was found murdered in his Harley Street flat.

Police were working with one hand tied behind their backs, Sir David McNeice, Commissioner of the Metropolitan Police, said yesterday. The things that the police were doing, and were expected by society to do, should receive statutory backing.

That would take away the temptation for a police officer to "bend the rules," he said in a television interview. He did not want them to be doing their duty "by bluff, by stealth or by force."

Renewing his controversial call for sweeping new powers for the police, he said: "I do not want a police state, but I am certain that I speak for the majority of society today when I say I do not want a society ruled by criminals. We want a balance in the middle somewhere."

Sir David, whose proposals have been put before the Royal Commission on Criminal Procedure, answering a question about public concern, said: "I would defend a man's civil liberties, but he has got to be aware of the fact that if he is a lawbreaker, he is a lawbreaker."

Interviewed in the Tyne-Tees Television programme *Meet the Press*, Sir David, who was nicknamed "The Hammer" when Chief Constable of Glasgow, denied that his proposals were an attempt to justify a police right to break the law.

He believed that the issues put before the royal commission would help to improve the crime detection rate in London, which was down to just over one fifth.

One of the most alarming features, he said, was juvenile crime. The 10 to 16 age group accounted for about 29 per cent of all those arrested for serious crime; and 51 per cent of all people arrested in London for indictable crimes were under 21 years old.

"It is quite frightening," he said. "It is quite distressing, and the sooner society does something about it—parents, teachers, social agencies, whoever—the better."

He criticized the attitude that all young people brought before the courts were welfare cases. "I do not think they are all welfare cases, and we are treating them as such. It is high time we are saying to some juveniles, 'enough is enough'."

Sir David denied that the public had lost confidence in the police, and quoted opinion polls where the policeman was always come out right at the top.

In an appeal for harmony at next weekend's Notting Hill Carnival, he said: "As far as the police are concerned, we do not want a confrontation, we want a West Indian community to enjoy itself, and we will give them every assistance to do so."

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A casualty from the shooting in Duke Street being carried to an ambulance.

## Israeli minister demands an official inquiry

Continued from page one

the security of the staff once they leave the airfield. That is the responsibility of the local authorities."

The Transport Minister, Mr Amis, announced an official inquiry into the attack. "We want to determine whether our people adhered to the required security measures and whether police fully carried out their responsibilities."

In London it was pointed out that it was up to the British police to investigate the matter. But Government sources indicated last night that Britain was not disposed to respond to criticism by the Israelis of the British police, which was made, it was felt, in the heat of the moment.

Mr Callaghan was kept informed of all developments. Only last month he ordered a switch of venue to Leeds Castle, Kent, for the meeting between Mr Mohammed Ibrahim Kamez and Mr Moshe Dayan, foreign ministers of Egypt and Israel, after security service reports of a possible terrorist assault if it was held in London.

A few hours after yesterday's attack, members of Mr Begin's Herut Party started a picket in London outside the offices of the Arab League in Green Street, a few hundred yards from the hotel. They were demanding that the offices be closed.

The PFLP Special Operations group, which claimed to be responsible for the attack, was behind the hijacking of a Lufthansa jet to Mogadishu last October, and has a long record of acts of terrorism and political violence.

The telephone statement said El Al was a military institution used to carry spare parts and volunteers to Israel for use against the Palestinian people. Thus the group considered it a military target. "This attack is a last warning to all passengers against the use of the airline," it said.

The statement attacked Mr Callaghan for his cooperation with Israel, saying that "he will pay for it."

There was also a call for an end to the increasing strain among the Palestinian factions, indicating that the attack could be an attempt to halt such fighting by turning attention back to Israel as the common enemy.

The statement said: "Progressive Arab forces must solve their political contradictions peacefully and combine all efforts to strike against the Zionists."

Mr Basnett said that Conservative economic policy was based on four main points: massive public spending cuts; cuts in taxation, especially direct taxation; firm control of the money supply; and an end to price controls.

Public spending cuts would affect social services, state education, the National Health Service and employment subsidies, saving 400,000 jobs. The Conservatives proposed to save all the money spent by the National Enterprise Board and a further £550m under the Community Land Act, which had cut back on land speculation "where many a Tory fortune has been made."

Mr Basnett, general secretary of the General and Municipal Workers' Union, made his lengthy criticisms in an article in his union journal. Shifting the tax burden on to indirect taxes, and primarily on to VAT, would hit hardest the poorer income groups, he said.

"Every trade unionist must recognize that a vote for the Tories is a vote to reverse the social advances we have made in the last 30 years," he said. "It is a vote for inequality, for elitism, for private affluence and public squalor."

TUC objectives: The TUC General Council is to propose to the annual congress at Brighton next month that all reforms of nationalization, which have been among the stated aims of the TUC for most of its 110 years, should be dropped from its constitution (the TUC Press Association reports).

Some of them have proved major stumbling blocks in the efforts of some unions, particularly the TUC, in the public service to persuade their members to accept affiliation to the TUC.

The general council will ask the annual congress to agree that those objectives be replaced by a blanket clause defining the aim as doing "anything to promote the interests of its affiliated organizations, or anything beneficial to the interests of past and present members of such organisations."

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"Every trade unionist must recognize that a vote for the Tories is a vote to reverse the social advances we have made in the last 30 years," he said. "It is a vote for inequality, for elitism, for private affluence and public squalor."

TUC objectives: The TUC General Council is to propose to the annual congress at Brighton next month that all reforms of nationalization, which have been among the stated aims of the TUC for most of its 110 years, should be dropped from its constitution (the TUC Press Association reports).

## Police free father of bomb trial man

Mr Brendan Gallagher, the Irishman who was arrested by Special Branch men on Saturday as he arrived in England to see a preview of a BBC play about his jailed son's trial, was released yesterday.

Mr Gallagher, of Garton Avenue, Strabane, Co Tyrone, was held under the Prevention of Terrorism Act for 24 hours, where he arrived in a lorry on board a cargo container ship, the Bison, with his brother John, who lives near Chorley, Lancashire.

A preview of the play, about Mr Brendan Gallagher's son, Mr William Gallagher, who was jailed for 24 years for the bombing of the British Legion hall at Strabane, is to be held in London today. Entitled "The Legion Hall Bombing", it is to be screened tomorrow night.

Earlier this year the play was temporarily banned by the BBC, and its author, Garry Churchill, claims that changes have been made to it without his consent.

Mr Brendan Gallagher has been fighting for three years to establish the innocence of his son, who has been in the Maze Prison at Long Kesh.

Mr John Gallagher said that he and his brother had been told by two plain-clothes officers that they were detaining him under the Prevention of Terrorism Act. "I do not know why. Brendan has no political affiliations and the only incriminating thing he had on him was a packet of razor blades."

He added that Mr William Gallagher had had IRA connections when he was aged only 14. "William served a sentence at borstal. When he came out, my brother Brendan gave him a good hiding and went to see the Provost and told them that from then on William would have nothing to do with them."

He said that Mr William Gallagher had campaigned also against his conviction for the bombing, saying he was innocent. "He has been on hunger strike and is now down to seven stones. It is an unhappy situation for the whole family, made worse by Brendan having been detained for no reason whatsoever."

Mr David, whose proposals have been put before the Royal Commission on Criminal Procedure, answering a question about public concern, said: "I would defend a man's civil liberties, but he has got to be aware of the fact that if he is a lawbreaker, he is a lawbreaker."

Interviewed in the Tyne-Tees Television programme *Meet the Press*, Sir David, who was nicknamed "The Hammer" when Chief Constable of Glasgow, denied that his proposals were an attempt to justify a police right to break the law.

He believed that the issues put before the royal commission would help to improve the crime detection rate in London, which was down to just over one fifth.

One of the most alarming features, he said, was juvenile crime. The 10 to 16 age group accounted for about 29 per cent of all those arrested for serious crime; and 51 per cent of all people arrested in London for indictable crimes were under 21 years old.

"It is quite frightening," he said. "It is quite distressing, and the sooner society does something about it—parents, teachers, social agencies, whoever—the better."

He criticized the attitude that all young people brought before the courts were welfare cases. "I do not think they are all welfare cases, and we are treating them as such. It is high time we are saying to some juveniles, 'enough is enough'."

Sir David denied that the public had lost confidence in the police, and quoted opinion polls where the policeman was always come out right at the top.

In an appeal for harmony at next weekend's Notting Hill Carnival, he said: "As far as the police are concerned, we do not want a confrontation, we want a West Indian community to enjoy itself, and we will give them every assistance to do so."

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## Commissioner does not want 'a police state—or a society ruled by criminals'

Police were working with one hand tied behind their backs, Sir David McNeice, Commissioner of the Metropolitan Police, said yesterday. The things that the police were doing, and were expected by society to do, should receive statutory backing.

That would take away the temptation for a police officer to "bend the rules," he said in a television interview. He did not want them to be doing their duty "by bluff, by stealth or by force."

Renewing his controversial call for sweeping new powers for the police, he said: "I do not want a police state, but I am certain that I speak for the majority of society today when I say I do not want a society ruled by criminals. We want a balance in the middle somewhere."

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## Two marshals killed trying to stop sports car race

Racing authorities at Silverstone, Northamptonshire, will be holding an inquiry today into the death of two track marshals on Saturday.

One was killed instantly and the other died in hospital after a Jaguar sports car had crashed into a group of marshals trying to stop a race. Another marshal was critically injured and a fourth is in hospital recovering from minor injuries.

The man killed on the spot was Mr Nigel Tan, aged 32, of Sennance Crescent, Boston, Lincolnshire. Mr David Allen, aged 28, of Bartholomew Road, Cowley, Oxfordshire, died later.

The condition in Northampton General Hospital yesterday of Mr John Baker, aged 34, of Steven Road, Tunbridge Wells, Kent, was "very poor". The fourth marshal was Mr Richard Delemay, aged 29, of Kent Gardens, Eastcote.

The driver of the sports car, Mr Reginald Woodcock, of Harts Road, Washwood Heath, Birmingham, was uninjured. The accident occurred during a British Racing Marshals Club meeting.

Mr Basnett said that Conservative economic policy was based on four main points: massive public spending cuts; cuts in taxation, especially direct taxation; firm control of the money supply; and an end to price controls.

Public spending cuts would affect social services, state education, the National Health Service and employment subsidies, saving 400,000 jobs. The Conservatives proposed to save all the money spent by the National Enterprise Board and a further £550m under the Community Land Act, which had cut back on land speculation "where many a Tory fortune has been made."

Mr Basnett, general secretary of the General and Municipal Workers' Union, made his lengthy criticisms in an article in his union journal. Shifting the tax burden on to indirect taxes, and primarily on to VAT, would hit hardest the poorer income groups, he said.

"Every trade unionist must recognize that a vote for the Tories is a vote to reverse the social advances we have made in the last 30 years," he said. "It is a vote for inequality, for elitism, for private affluence and public squalor."

TUC objectives: The TUC General Council is to propose to the annual congress at Brighton next month that all reforms of nationalization, which have been among the stated aims of the TUC for most of its 110 years, should be dropped from its constitution (the TUC Press Association reports).

Some of them have proved major stumbling blocks in the efforts of some unions, particularly the TUC, in the public service to persuade their members to accept affiliation to the TUC.

The general council will ask the annual congress to agree that those objectives be replaced by a blanket clause defining the aim as doing "anything to promote the interests of its affiliated organizations, or anything beneficial to the interests of past and present members of such organisations."

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## Election pamphlets charge

Mrs Phyllis Bowman, director of the Society for the Protection of the Unborn Child, an anti-abortion group, has been charged with breaching electoral law at the Iford, North, by-election last March.

Mr Bowman said yesterday: "All I did was issue a pamphlet pointing out the different views of the candidates on this issue. I did not encourage voting for any candidate. I shall be fighting most strongly."

The charge alleges that, "not being a candidate or election agent and without authorisation, she did incur the expense of issuing publications, with a view to promoting, or procuring the election of a candidate."

The case will be heard at Redbridge, Essex, on September 13. Our legal correspondent writes: Section 63 of the Representation of the People Act, 1949 (as amended in 1962) states: (1) No expenses shall, with a view to promoting or procuring the election of a candidate at an election, be incurred by any person other than the candidate, his election agent and persons authorised in writing by the election agent, on account . . . (b) of issuing advertisements, circulars or publications . . .

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## AE NEWS

### Most holidaymakers know nothing about EC medical scheme

Young Affairs  
Ten years after Britain's entry into the EEC, most holidaymakers going to the Continent have not heard of the EC medical scheme. The scheme, which provides free medical treatment for holidaymakers, is a well-known fact in many countries, but in Britain it is almost unknown. A survey of 1,000 holidaymakers found that only 10 per cent knew of the scheme. The survey was conducted by the British Tourist Authority. The results show that most holidaymakers are unaware of the scheme, which provides free medical treatment for holidaymakers. The scheme is a well-known fact in many countries, but in Britain it is almost unknown. A survey of 1,000 holidaymakers found that only 10 per cent knew of the scheme. The survey was conducted by the British Tourist Authority. The results show that most holidaymakers are unaware of the scheme, which provides free medical treatment for holidaymakers.

### Defence is 'shambles' Tory MPs complain

A civil defence "is an anathema" to the Tories, say MPs. The Tories are complaining about the state of civil defence. They say it is a "shambles" and that the government is not doing enough to protect the country. The Tories are complaining about the state of civil defence. They say it is a "shambles" and that the government is not doing enough to protect the country. The Tories are complaining about the state of civil defence. They say it is a "shambles" and that the government is not doing enough to protect the country.

### Subsidy plea for maps

The Ordnance Survey is asking for a subsidy to help it produce maps. The survey is asking for a subsidy to help it produce maps. The survey is asking for a subsidy to help it produce maps. The survey is asking for a subsidy to help it produce maps. The survey is asking for a subsidy to help it produce maps.

### ion strategy by Tories

The Tories are planning a strategy for the next election. They are planning to focus on the economy and the environment. They are planning to focus on the economy and the environment. They are planning to focus on the economy and the environment. They are planning to focus on the economy and the environment.

### 'complaint against paper upheld

A complaint against the Daily Express has been upheld. The complaint was about the paper's coverage of a football match. The complaint was about the paper's coverage of a football match. The complaint was about the paper's coverage of a football match. The complaint was about the paper's coverage of a football match.



East End demonstration: A large crowd of people gathered in a city square, likely for a demonstration or rally. The crowd was seen from a distance, filling the square and spilling onto the surrounding streets.

### Complaints system changes 'would drive doctors daft'

Proposals by the Department of Health to change the way patients' complaints are handled have been opposed by doctors. The proposals are seen as a threat to the medical profession. The proposals are seen as a threat to the medical profession. The proposals are seen as a threat to the medical profession.

### One-parent cash benefit over £800m

The total expenditure on cash benefits for one-parent families is expected to exceed £800m this year. The government is planning to increase the benefit. The government is planning to increase the benefit. The government is planning to increase the benefit.

### Answers in Parliament

A digest of information given in parliamentary replies with the sources and dates on which they appeared in Hansard. The digest covers various topics, including health, education, and the environment. The digest covers various topics, including health, education, and the environment.

## WEST EUROPE AND OVERSEAS

### Prague deserted on eve of Soviet invasion anniversary as dissidents take a long weekend

Prague was almost deserted today on the eve of the tenth anniversary of the Soviet invasion. Many people have left the city for the weekend. The city is mostly empty, with only a few people visible on the streets. The city is mostly empty, with only a few people visible on the streets.

### Clashing views at rival London rallies

By Lucy Hodges  
London rallies by the two main political parties to mark the tenth anniversary of the Soviet-led invasion of Czechoslovakia must have caught the tourists as much about British politics as about the Prague protests of 1968. The Young Conservatives' march and rally in Trafalgar Square, by far the largest and best organized event, concentrated on attacking socialism. Conservative speakers, who included Sir Keith Joseph, responsible for policy and research, saw the events leading to the invasion as the beginning of a new era of conservatism. The Labour Party's gathering, sponsored by the National Executive Committee, and held at Speakers' Corner, was aimed at the events in a communist context. Mr. Jim Peckham, former head of Czechoslovak Television, said: "It was not a local event. It is only the beginning of a greater movement going on in all systems in Eastern Europe."

### Lisbon Communists' wary attitude to new Premier

From Jose Shiercliff  
Lisbon, Aug 20  
Senhor Alvaro Cunhal, the Portuguese Communist leader, today said in Lisbon that the party's attitude to the new Government headed by Senhor Nogueira de Costa would depend upon its composition, its programme and its subsequent activity. He rejected rumours that the Communist Party wanted to overthrow President Eanes before Parliament. His party was "prepared to come to an understanding, establish alliances, form blocs and sign agreements with the Socialists and other democrats in order to solve national problems, and protect the interests of the workers." He added: "But we shall not take part in any campaign to overthrow the President."

### Prince says Corsica shooting was accidental

Marseilles, Aug 20.—A young West German allegedly shot in Corsica by Prince Victor Emmanuel of Savoy, son of the late King Umberto II of Italy, during a fracas over a missing rubber boat remained in serious condition today. Prince Victor, 19, of Marburg, was hit in the abdomen by a bullet on Friday near the southern Corsican town of Bonifacio. The Prince has told an investigating magistrate that the shooting was accidental. He has been remanded in custody, charged with assault and illegal possession of firearms.

### Little talk of papal common touch

From Peter Nichols  
Rome, Aug 20  
The most overworked phrase so far about the prospective new Pope is that he should be a man of God, a requirement repeated today by Cardinal Thielmann, Archbishop of Dakar, Senegal, who also said that the church should seek greater participation at all levels. His statement comes five days before the opening of the conclave which should see 111 cardinals engaged in the process of electing a new Pope. The Roman Catholic Church is at a critical moment for all organized religion. Cardinal Thielmann was consecrated Archbishop in 1962 by Pope John XXIII. He is a member of the traditionalist cause which will influence the forthcoming conclave. His insistence on the fullest participation in church affairs does nevertheless go beyond phrasology. Efforts have been made to

### US freedom award for Herr Springer

From Our Correspondent  
Berlin, Aug 20  
Herr Axel Springer, the West German publisher, was presented with the American Friendship Medal today by Mr John Connally, former governor of Texas. It was given to him for his resistance to totalitarianism. Replying, Herr Springer said that he and his organization would never give up the battle against injustice and persecution. The three previous recipients of the award were Sir Winston Churchill, Mr Ramon Magsaysay, the former President of the Philippines, and the Russian writer Alexander Solzhenitsyn.

### Spain to issue stamps of Picasso works

From Our Correspondent  
Madrid, Aug 20  
The first Spanish postage stamps to bear reproductions of the works of Pablo Picasso will go on sale next September. All of the paintings selected for the series are in Spanish collections, the Madrid evening newspaper *Informaciones* reported yesterday. The stamps will be in eight denominations ranging from 10 to 18p. The eight paintings chosen for the series are: "Portrait of Señora Canals", "Self-Portrait", "Portrait of Jaime Sabartes", "The end of the Number", "Science and Charity", "Las Meninas", "The Painter and the Model".

### Religion & Freedom

An independent ecumenical month. August 1978  
WCC and Africa  
Can reconciliation be just?—South African theologians suggest that the need for a Pope who will not only deal with all these issues but also fill the vacuum in Catholic affairs concerning popular religion. Pope Paul VI called in his will for a continued application of the decisions of the Second Vatican Council, which raised the question of popular participation in ecclesiastical affairs. The council's teaching has already been applied as far as liturgical reforms are concerned. Apart from this attempt at meeting the needs of ordinary worshippers, the impression of the council in much of the Catholic world is that it dealt almost exclusively with the questions of the organizational

### Prisoners of conscience



### Czechoslovakia: Charter 77 victims

By Clifford Longley  
Ten years after the Soviet invasion of Czechoslovakia, which started just before midnight on August 20, 1968, it is appropriate to recall the names of 37 Czechoslovak citizens who are at present suffering for the cause of human rights under their banner, Charter 77. They are:

- Serving sentences: Jiri Lederer, 57, journalist, three years' imprisonment; Ales Machacek, 32, agronomist, 3 years for distributing literature and Charter documents; Vladimir Lastuvka, 35, nuclear physicist, 21 years for distributing literature and Charter documents; Miloslav Cerny, 48, worker, three years for allegedly making and distributing posters supporting Charter 77; Frantisek Pitor, 57, worker, three years for distribution of Charter documents; Ales Brezina, 30, former student of theological faculty, Charter signatory, 1 year for being a conscientious objector; Ivan Jirous, 34, art historian, 18 months for allegedly inciting remarks at an art exhibition. Director of the Plastic People's rock group, signatory of the Charter. This is his third time in prison; Gustav Vlasaty, 48, worker, 20 months; Miloslav Ljoket, 29, worker, 15 months for distributing Charter documents in the Army; Peter Pohl, scientist, 20 months, Charter signatory; Milan Turek, 21, worker, 18 months, arrested in connection with a clash with police at a folk concert in Kodye, southern Bohemia; Jiri Kriz, 30, worker, 18 months, same as above; Viktor Groh, 23, worker, 20 months, Charter signatory, same as above; Ladislav Opava, 19, worker, 10 months, same as above; Zdenek Cervenak, 20, worker, two years, same as above; Vojtech Chloupek, 23, librarian, same as above; Petr Pospisil, 18, printing apprentice, detained since May 3, same as above; Pavel Novak, 35, worker, detained since April 21, charged with subversion of the republic because he allegedly prepared and distributed leaflets and other written material; Josef Brychta, 56, same as above; Michal Kobal, 30, worker, Charter signatory, detained since early February this year, charged with incitement because he allegedly distributed documents discussing the political situation in Czechoslovakia; Ivan Manasek, 23, student, Charter signatory, detained since February this year, charged with incitement because he allegedly distributed documents discussing the political situation in Czechoslovakia; Vojtech Kuba, 36, former diplomat, in detention since last October for alleged subversion of the republic because he allegedly distributed political essays. Seriously ill; Robert Merganz, 50, technician, Charter signatory, in detention since January, charged with incitement because he allegedly distributed leaflets; Jaroslav Dvornik, technician, Charter signatory, same as above; Zdenek Tesinsky, 50, former pilot, same as above; Vaclav Novotny, 50, former journalist, same as above; Jan Simsa, 51, former clergyman, Charter signatory, in detention since May 50. Allegedly assaulted a police officer during a house search. Seriously ill; Frantisek Brabec, 28, worker, in detention since February 16, charged with subversion of the republic because he allegedly distributed political essays. Seriously ill; Jiri Grusa, 40, writer, Charter signatory, charged with incitement because of his role in the novel and for allowing distribution of the book; Pavel Roubal, 30, technician, Charter signatory, charged with incitement because he allegedly allowed his flat to be used for binding samizdat literature; Vera Vranova, 52, railway worker, Charter signatory, interrogated in connection with "crimes" committed by Michal Kobal; Robert Gomzik, 25, clergyman, Charter signatory, charged with subversion of the republic because he allegedly distributed Charter Declaration; Marian Zajicek, 27, clergyman, same as above; Michal Foucek, 57, worker, one year, sentenced in February, 1977, for incitement against the republic.



















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Mrs Katharine Graham

# The lady who took on the President of the United States—and won

Katharine Graham, the publisher of *Nation Post*, is a fragile-looking woman with a perpetual Florida tan. Her hair is styled in a simple, elegant way, and she has a gentle smile. She is dressed in a light-colored, possibly silk, dress. The background is a plain, light color.

user might have exaggerated, Graham has hired and fired so often that the most ambitious of her highly-paid jobs with the *Nation Post* is to be a one-woman production line, from the living room of the newspaper's headquarters to the out-of-town printing plant. She is not a barracuda of the press. She gives her editors the greatest freedom and the greatest responsibility. During the 1975 strike she was one through a violent picket line in the mail room. Her courage and her ruthlessness, her courage beyond dispute, as did the print the *Nation Post*. Department warned that the liability to criminal prosecution threatened the loss of its broadcasting licences. The very real: under federal law alone cannot hold broadcasting at Mrs. Graham overruled her and published. age is all the more surprising a *Post* enjoys a unique monopoly in Washington. With her able properties such as *Nation* and radio stations, *The* and a part-interest in *The Herald Tribune* Mrs. Graham joined the majority of American publishers and cut news- to maximize profits. In- behaves as if she was fighting competition of Fleet Street and the *New York Times*. The *Balti-* *The Los Angeles Times*, *The* *et Journal*, *The Christian* *et Journal*, *The Atlanta Constitution* others, but the average Ameri- became unenterprising. ing in Washington when I port in 1960 was not enough for different reasons. The of power in that city is well at is not always appreciated

is that Washington, for all its recent growth, is a small town with small-town ways. The sophisticated inhabitants of Georgetown might object, but there is no other way of describing the national capital's life style. Good restaurants and bookshops are few and, despite the later pretensions of the Kennedy Centre, the cultural life does not compare with that of New York, London, Paris or even Moscow.

In power terms, it is rather like pouring a mug of champagne into a pint beer mug. The power overflows and the smell is pervasive. There is little or no escape, and few want to because power is the city's main attraction. Journalists who spend their days patrolling the White House, Congress, or the departments of State, Defence and Justice, talk shop over lunch—sources always demand their pound of flesh, generally *file* *mignon*—and dinner. Light conversation is almost non-existent. Shop and more shop is served with the *rich* *choix* and rib roast.

The intimacy has its uses. Journalists can cultivate their sources almost without trying, but it also has its dangers. As the power of the United States increased many newspapermen came to believe that they were helping to make policy. They became responsible instead of irresponsible—that is responsible to nobody except their own personal integrity. For instance, in 1961 *The New York Times* decided not to publish stories of the preparation for the invasion of Cuba.

It was a difficult decision, which no British journalist has been required to make. Such information could not have been published in London because of D Notice and the Official Secrets Act. Conditioned as I am by such limitations, I am not certain that I would have done had I enjoyed the freedom guaranteed the American press under the First Amendment, but *The New York Times* subsequently regretted the decision. If all the news fit to print had been printed, the clandestine invasion would arguably not have been launched.

With hindsight, it can be seen that the editors responsible committed a sin against their craft. They stood between the news and their readers. In effect they misled their readers. They can also be said to have failed in their constitutional duty.

That is not so pompous as it may sound. The special position of the press in the American system calls for constant surveillance of government and other centres of power. The invasion offended the Constitution. It did not have the authority of Congress, and the American people were committed to a foreign adventure without their knowledge or consent.

The intimacy between President Kennedy and the Washington press nevertheless continued. He was easily forgiven for the reckless and abortive invasion. Much was made of his immediate acceptance of full responsibility although none but the President could be held responsible. Few questioned the growing involvement in Laos and Vietnam. The fact that Robert Kennedy, the then Attorney

General, had ordered more wiretaps than any of his predecessors aroused little indignation. Very few journalists questioned the covert activities of the CIA, and none was offended by the head of the dirty tricks department when he suggested at a luncheon that their patriotic duty was to help the agency.

A few old-fashioned muckrakers such as Drew Pearson carried on their individual crusades against corruption and arrogance in high places, but they were despised. The establishment press continued its incestuous relationship with the executive until it was comparable to that of *The Times* and Whitehall before Munich. It might have become worse but for the death of Mr Philip Graham after a long and distressing mental illness, and his widow's elevation to the presidency of the company.

The changes came slowly. Philip Geyelin, the editorial page editor, began to express an independent editorial policy. Ben Bradlee, the executive editor, hired the best available talent and gave them a free rein. He also accepted reporters from attending a cozy background briefing where officials generally succeeded in selling official policy by appearing to take the press into their confidence.

*The New York Times* also began to change when Arthur Ochs Sulzberger succeeded as publisher, and the late Mr. Rosenthal, a former foreign correspondent, was appointed managing editor. A palace revolution, graphically described in Gay Talese's *The Kingdom and the Power*, rocked the good grey *Times*, but Max Frankel eventually emerged as the chief of the Washington bureau.

These were the men who led the return of the establishment press to a healthy scepticism of government and officialdom. Bradlee was especially determined to escape from the old close relationships, perhaps because he had been too close to President Kennedy.

Carl Bernstein and Bob Woodward, the two *Post* reporters who broke the Watergate story, revealed that hidden American class consciousness when they wrote that Bradlee was "Boston Brahmin." Harvard, World War II Navy, press attaché at the US embassy in Paris, news-magazine political reporter and Washington bureau chief of *Newsweek*, Simons (the managing editor of the *Post*) as restrained as Bradlee could be hard-charging and obstreperous, liked to tell of watching Bradlee grind his cigarettes out in a demitasse during a formal dinner party. Bradlee was one of the few persons who could pull that kind of thing off and leave the hostess saying how charming he was.

Bradlee is also a very good editor, and he was much better placed to take on authority when the Watergate crisis broke than any British editor because of the reputation of the First Amendment. Associate Justice Potter Stewart of the Supreme Court, speaking at the Yale Law School Sesquicentennial Convocation, further

insisted that the protection of the First Amendment was broader than generally supposed.

He said that the Bill of Rights protected the specific liberties and rights of individuals, such as the freedom of speech, but the free press clause extended protection to an institution. The press was the only organized private business given explicit constitutional protection.

But even with that protection, Bradlee could not have taken the *Post* as far as he did without Mrs. Graham. Proprietors of *The Times* long ago conceded editorial control to the editor, but not American publishers. They have invariably reserved the right at least to be consulted, but there is no evidence that Mrs. Graham ever interfered. Instead, she willingly allowed her editors to bring about a great constitutional crisis when Nixon still had the full support of the so-called silent majority and his lawyers were threatening her with financial ruin.

She was triumphantly vindicated when Nixon resigned, but some people in the United States questioned her right to take on the President of the United States, and without regard to due process. She answered that question when she gave the Grenada Guildhall Lecture in 1974. What was at stake in the Watergate crisis was not due process in the ordinary, narrow sense. The offences comprised a massive pattern of corruption and abuse, offences so numerous and headstrong that they shook the foundations of public trust and confidence. The issue was whether and how the people, the Congress and the courts, could get at the entire truth, assess the damage and work out the remedies. It was due process in the broadest and most fundamental sense.

"In this context," she said, "The most prejudicial thing the press could do would be to cease publishing and stop broadcasting some arbitrarily chosen part of what it learns. Without a free and probing press, the events and import of Watergate would, in all probability, never have been revealed. Without the same thorough, persistent, independent press, public debate could not proceed, and the clamour and clash of opinions might never be distilled into that 'deliberate sense of the community' which decides the matter in the end."

"When the American press eases up on its vital adversary role, who is to determine how much it should ease, where it should stop short, what it should keep to itself—and for what purpose? Surely not the government. Surely, in this case, not the President. . . . The performance of the paper during the Watergate crisis broadened the concept of press freedom, and journalists on both sides of the Atlantic, including any remaining male chauvinists, must give credit to the lady responsible, Mrs. Katharine Graham of *The Washington Post*."

Louis Heren

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# SCOTLAND

a Special Report

## Clearing banks rise to the occasion

Ronald Pullen

Enterprise Board in that it exists to provide equity and loan funds to companies which cannot find these facilities elsewhere. But with a statutory financial provision of only £300m, of which £100m is likely to be available for immediate investment and the rest for future expansion, the SDA can be at best a catalyst for modernizing Scottish industry and encouraging small firms and is in no sense a substitute for a responsive banking system.

The Scottish clearers have as proud a past and as thorough a pedigree as their counterparts south of the border. They jealously guard their independence—such as in the issue of their own bank notes—from the rest of the United Kingdom banks, while at the same time accepting that they are part and parcel of the system for control purposes.

They have also shown themselves to have a remarkably keen nose for danger. The last banking failure was 100 years ago and the Scottish clearers largely managed to keep clear of the secondary banking crisis that engulfed the London financial community.

Over the years as well the Scottish banks have proved themselves to be particularly adaptable to the special

needs of the local economy. In their evidence to the Wilson committee on the working of the financial system made of the fact that normal banking criteria were cast to the wind at times when there was a recognizable need to promote employment in isolated communities. In the farming area, too, the banks have developed specialized departments in order to be better equipped to service the requirements of this important sector of the local economy.

But it has been in North Sea oil financing that the Scottish clearers have shown their mettle, illustrating how the canny, conservative bankers of popular mythology can rise to the occasion.

After an admittedly wary start in the early 1970s when, to be fair, oil financing was something novel to the whole United Kingdom financial community, the Scottish clearers have played an important role in the provision of funds for North Sea oil development. Led by the Bank of Scotland, which drew on oil industry experience to establish a separate oil department, all the clearers have participated in the clearing of loans for North Sea fields. Both the Bank of Scotland and the Royal Bank of Scotland and the Royal Bank of Scotland have representative offices in Houston, the oil capital

of the United States, to advise United States companies on what to expect in the North Sea.

The Bank of Scotland was also the prime mover behind the formation of the International Energy Bank, a consortium of banks specifically set up to invest in the North Sea and in which it retains a 15 per cent interest. Figures compiled for their evidence to the Wilson committee underline the Scottish clearers' commitment to the North Sea.

Loans and commitments to licensees account for almost a fifth of all the lending by Scottish and London clearing banks for the North Sea, whereas the share of the Scottish banks in terms of total assets is only about 7 per cent. And their share of loans to offshore suppliers is even higher, accounting for some 55 per cent of the £32m outstanding when the figures were put together two years ago.

The stimulus of the North Sea has also encouraged Scottish banks to become far more outward looking in recent years. For perhaps almost the first time the banks have had to service the needs of big companies located outside Scotland. This has led to a big expansion of their overseas business. Foreign currency

lending has grown from only £25m in 1972 to £775m by March this year and this now accounts for roughly a seventh of their balance sheet totals. Scottish clearers have also stepped up their direct involvement overseas.

Already results from the Scottish clearers seem to point to increasing pressure on domestic banking margins. In his annual statement as chairman of the Bank of Scotland, Lord Clydesmuir remarked that "the pressure on these concerns to acquire business is such that in many instances unrealistic terms are quoted; this narrows the normal profit margin which the indigenous banks can obtain from domestic business".

Provided the Scottish economy can develop characteristics of its own and not merely follow the trends of the United Kingdom economy at large there should be sufficient banking business around in the 1980s to provide everyone with a decent share. In the meantime the Scottish banks are likely to benefit hugely from this reorientation of their business towards the international sphere.

The author is Banking Correspondent, The Times.

## Oil overshadows vast energy resources

Ice Wright

development of North Sea oil, gas and soon other potential sources of energy off the coast of Scotland is a vital chance of conserving the offshore reserves in the short term and of providing substitute hydrocarbons in the long term when oil runs out.

Since oil imports were costing more than £10m a day on the United Kingdom's balance of payments before domestic supplies began to flow, the obsession for wishing to exploit the offshore oilfields as quickly as possible scarcely needs explaining.

As the present Government and previous ones have been eager to tell us, Britain is better placed in the energy stakes than many others. The case can be

argued even more persuasively if attention is focused on Scotland, and particularly on electrical power generation. For the generating boards have a mixture of coal, oil, nuclear and hydro-power stations, offering the power engineer something close to an ideal combination of resources on which to make the most of this type of supply system.

In practice difficulties abound. The leak of seawater last October into one of the nuclear reactors at Humberston B power station, after its first few months of operation, has involved a big reconstruction that should be finished next year. The costs in repairs and use of alternative generating capacity is costing several million pounds. Some delay also seems inevitable in plans

for the largest pumped storage power station scheme in Europe to be built above Loch Lomond, opposite Tarbet.

When complete it should be the last piece in the jigsaw forming the strategy for electrical power generation to ensure Scotland's needs into the twenty-first century. However, the hydropower scheme has run into stern opposition on environmental grounds.

Nevertheless the idea is to extend a natural basin in the hills behind the eastern shore of the loch. Water would discharge through tunnels to drive turbines before emptying into the loch. The intention is to use the hydro-electric scheme in conjunction with a more conventional base load station built near the coastline. Instead of throwing away energy at off-peak times, electricity from the base-load station would be used to pump the water back up to the storage reservoir.

Some spectacular energy savings have been made by individual large organizations in the chemicals, steel, and paper industries, but their own research and development groups seeking new methods of working. But there is comparable help for the vast number of medium and small firms which cannot boast large research teams, but which nevertheless face highly technical difficulties when it comes to energy conservation and fuel efficiency.

These are among the issues to which the National Engineering Laboratory at East Kilbride has increasingly turned its attention over the past few years. Whereas in one department of the laboratory research engineers have devised equipment to help to improve production and reliability of oil platforms and pipelines, other groups have discovered ways in which industry can cut down on the use of fuel.

One example of increasing efficiency in fuel use is by altering the design of a basic item of industrial equipment like heat exchangers that might be employed for industrial furnaces and the cooling of large turbines or process plant. An innovation from a National Engineering Laboratory team tackles two aspects of the development of heat exchangers simultaneously.

Imported heat exchangers cost the country more than £12m a year. There is little margin for reducing costs in their manufacture, to beat competition, because the techniques of fabrication have been refined over many years. However, about 20 per cent of the cost of a heat exchanger lies in the design work, and it is in this that cuts have been made

with computer-aided design methods.

An even more impressive gain, offering potential savings in certain of more than 20 million tons equivalent a year, has been shown in another industrial project of the National Engineering Laboratory. It originated from an observation in a study of the government "think tank" four years ago that the use of electric motors and reduction gearboxes to drive machinery presents one of the grossest inefficiencies in industry. An investigation already in progress at East Kilbride had indicated an alternative power system for driving machinery in a vast number of plants.

It depends on a centralized hydraulic power supply, variable-speed drive, and a control system to control machinery that does not waste energy.

Although inventive genius is not a twentieth-century phenomenon for the Scots, the creation of a research laboratory at the United Kingdom Atomic Energy Authority's at Dounreay marks a change. Work began 20 years ago on the first experimental fast breeder reactor, which was a novel idea for an atomic power plant which could provide useful thermal energy from its core while at the same time converting a special blanket of non-fissile uranium into a new source of plutonium fuel, thus in about 10 years of operation providing the fuel for another reactor.

The Dounreay fast reactor yielded 60 megawatts of heat, and for 15 years fed about 14 megawatts of electricity from this station into the grid. It was finally pensioned off last year, having been superseded by the prototype fast reactor at Dounreay, intended as the forerunner to commercial power stations built on this principle.

That project is the commercial fast reactor (CFR) proposal for which a public inquiry has been promised. The construction of a 1,300 megawatt electrical CFR at Dounreay appears unlikely, largely because of the difficulties of linking it to the grid system that it would be intended to serve.

The main opposition, for which an inquiry has been demanded, is over the broader issues of safety, disposal of long-lived wastes, and the spread of plutonium connected with fast breeder reactors. Again these matters are international. But the geological investigations in Britain for possible sites for the ultimate disposal of highly active waste, cast in blocks of glass, have raised the wrath of local conservation groups when they have been extended to Scottish districts.

The author is Science Editor, The Times.

## Nation prepares to meet challenge of the 1980s

by Ronald Faux

Three questions are crucial for Scotland in the next decade. Can the derelict areas of the industrial west be revitalized? How big is North Sea oil and what impact remains to be felt in Scotland? Will the Scottish Assembly work and what chance is there of Scotland becoming independent?

Slowly but positively, Scotland is preparing for the scale of change the 1980s could bring. Steel and shipbuilding at the heart of west central Scotland are streamlining towards a high level of productive efficiency after heavy investment in new plant. Scotland can manufacture the high-quality, high-value steels and build the advanced technology ships for specialized requirements. The ability is there, the orders are not.

Investment is at last reported to be stirring within industry. How long term this could prove is being treated with some caution by managers since not all the economic forecasts are promising. The Scottish Development Agency has made a positive and coordinated start on the twin fronts of urban dereliction and the investment so urgently required in small and medium-scale industry.

The task is formidable with a serious loss of jobs threatened through rationalization in key employment areas. These include Slingers at Clydebank and British Steel, with perhaps Chrysler and British Shipbuilders to follow.

Order books at the oil yards are being dusted off as interest stirs again, and flowing down the line from the reawakening goes business for banks and engineering works, large service companies and small corner shops. There is positive evidence that Scottish oil skills have a value far beyond the North Sea as other countries develop and test their offshore resources. A further live hope is that the new towns and factory estates will soon receive the next wave of interest from American electronics companies following the successful path of the last.

Much of this may be said of other traditionally industrial regions faced with government-assisted change. Where Scotland differs sharply is in its political dynamic and the pressure generated since 1974 by Scottish nationalism.

There was a time when Scots could complain with justifiable bitterness that Scottish affairs received scant attention in Westminster. Unwise would be the Scottish member of Parliament who suggested that now. The passage of the Scotland Bill has left a nation-wide awareness of

the powerful feelings north of the border and the sense of Scotland as of being inadequately represented and unfairly visited by social and industrial ills.

And all the debate and attention centred on Scotland some English regions have coughed loudly and pointed out that they, too, have high unemployment, run-down industries, inner-city decay and rural depopulation. At the same time they do not have a minister in the Cabinet, over-representation in Parliament or a proportionately larger slice of the kingdom's cake.

Scotland, in other words, does not have a monopoly on the kind of misery which attracts government aid by the sackful. The debate grew lively on both sides of the border and the result is that Scotland is about to enter a new political era for which the foundation stone of devolution has emerged from the mason's yard in one piece but badly knocked about.

The Government has suffered some humiliating defeats during the course of the Bill and the campaigners against the proposals, who believe a Scottish Assembly would be the weapon to break up the unity of Britain, have succeeded in imposing some formidable conditions. The 40 per cent hurdle in the referendum could be a fearful obstacle and the Commons' last kick at the Bill in passing the so-called West Lothian amendment was a further sign that Parliament is far from happy about the long-term implications of the Bill.

The Labour Party has succeeded remarkably well in persuading Scotland that devolution is not merely an expedient answer to the rise of the Scottish Nationalist Party and that it earnestly believes an assembly is necessary to ease the work load of the Scottish Office and to provide a more democratic watch over the Scottish administration.

But the long debate has confirmed rather than converted the doubters. The nationalists support the Assembly not because they particularly believe in it but because they see it as a step towards the hallowed goal of independence. Moderate nationalists argue that the SNP should ensure that the Assembly works well in order to establish a better track record for the party and for Scotland in matters of self administration.

The hawks disagree. Such an orderly progression towards independence is highly unlikely, they believe. Supporting the Bill is merely playing into the Government's hands and places the SNP in the ambivalent position not only of appearing to support what they oppose but of approving the very institution which has cost

them a considerable number of votes.

There is little doubt that the SNP received many tactical votes in the early stages of devolution. In the referendum the nationalists have chosen to stand on this ground, preferring to campaign for an Assembly rather than accepting the tough approach of opposing devolution hook, line and high school.

The most surprising turn in Scottish politics has been the abrupt halt in support for the SNP. This happened during the Garscadden election and was as inexplicable to the nationalists as it was surprising to the Labour Party. Whether the plateau upon which the SNP now rests is as arid as the Kalahari desert or whether it can resume its spectacular climb could depend upon the party resuming the role of singular Scottish voice in an argument dominated by Labour or Conservatives.

The nationalists have shaken and refreshed Scottish politics in a way that they have not been stirred for perhaps two centuries. But it is debatable whether the SNP could push its support to more than one third of the Scottish vote on a platform of raw independence. Sadly, it must retain a ghoulish interest in the economy stagnating, inflation rising and dissatisfaction growing before it can expect its prospects to improve.

The Labour Party and the Tories and the SNP itself have brought the argument about nationalism to a sharp central focus: does Scotland want to be independent? Relatively few would say "yes" including many SNP voters. A separate Scottish state is the ambition of a minority, albeit a growing minority, of Scots, and so far the policies which have poured from the SNP have failed to help its appeal.

By the time of Garscadden and Hamilton and the Scottish regional elections, the economic outlook was brighter. Oil was pouring into the balance of payments from the North Sea and the need for a protest vote was diminishing.

Passengers from an apparently doomed ship may be persuaded to step on to an unknown island, but when the ship starts to float, regaining power and has an adroit captain the unknown option is less tempting. The irony is that North Sea oil, the very substance which gave credibility to the SNP, has been the chief instrument of the Government both regaining control of the economy and the political initiative in Scotland.

Even the trump card of unemployment has inexplicably failed to stir Scottish opinion against the Government. Ripples rather than waves of unrest were caused when more than 8 per cent—and in pockets more than 20 per cent—of the workforce became unproductive.

Helped by a substantial cushion of state benefits, unwillingness by the unions to rock the boat and quiet expectation that oil will prove a providential cushion for the country, Scotland has fallen into an odd limbo that will be broken perhaps by a general election in October or the Assembly referendum.

Only after these two events will even the short-term future become clear. If Labour is returned and the referendum produces a result respectably close to 40 per cent, we will then be examining the effectiveness of the Assembly, the calibre of the assembly's interventions towards Scottish local government, the signs of friction between Edinburgh and Westminster, and watching the cost.

If the Conservatives win the election it is expected that a large question mark will appear, over the Scottish Assembly and devolution state particularly if the Tories hold a referendum and the response is lukewarm.

Tory support in Scotland improved at both the recent by-elections, and in the present Scottish mood the party could expect to win back seats lost to the SNP in 1974. Mrs Thatcher clearly believes that Scotland is important to a Conservative revival and is a frequent visitor, but a long climb lies ahead if the party is to enjoy the level of popularity it had in the 1950s.

It may be that Scots are in no mind for radical change, and that could be their message to the SNP. A Tory party with a manifesto of strong policies and a hostility towards the presently conceived Assembly may do well in England but less well in Scotland.

The Liberals remain in vogue with apparently little hope of improving their slim share of the vote or benefiting from the Lib-Lab pact, while the breakaway Scottish Labour Party has been committed by its early struggles to the role of conscientious objector. Nationalism will be the intriguing phenomenon to watch in Scotland over the next few years.

Only a few months ago the SNP was talking boldly of the next election being the "independence" election with 30 or more seats possibly falling to them and their mandate achieved. Then about-turn happened and there was no one more surprised or lost for an explanation than the Labour Party. For the first time in four years the SNP is considering the prospect of losses but neither the Tories nor the Labour Party are yet prepared to write the Nationalists off.

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by Ronald Faux

Promoting Scotland from split pin to factory estate has become in itself a large and competitive industry. There are more than a dozen organizations and agencies from the Scottish Development Department to individual local authorities, the five new towns, the Highlands and Islands Development Board, the Scottish Council (Development and Industry) and the Scottish Development Agency, all busily occupied in developing Scottish industry and promoting Scottish goods and companies around the world.

The largest, and the latest, industrial promoter is the Scottish Development Agency which was launched with a budget of £300m provided by the Government as

## Oil servicing

The importance of the offshore supplies industry to Scotland is reflected in an employment survey published recently in the Scottish Economic Bulletin. It showed that while oil-related industries directly employed only some 3 per cent of the Scottish workforce, about 12 per cent of the employees in key industries such as metal manufacture and mechanical engineering were engaged on oil-related contracts.

It is generally estimated that Scottish-based firms employ more than half the 100,000 people who are involved in the offshore supplies industry through our Britain. Understandably, the bulk of the jobs are in the main offshore service areas like the Grampian region and the Highlands and Islands. But the spin-off to metal and engineering firms in central Scotland has not been insignificant.

Companies which have developed a reputation for supplying equipment and services to the oil operators can look forward to a buoyant period as a number of groups plan oilfield developments. Government officials calculate that up to five new production platforms could be ordered during the next year or 18 months and determined efforts will be made to ensure that the bulk of the fabrication work is carried out in the United Kingdom.

Since the decision of Laing Offshore to stop competing for further orders for their yard at Graythorpe on Teesside, all the United Kingdom steel fabrication capacity is now located in Scotland. Highland Fabricators were fortunate within weeks of delivering the northern structure for the Fulmar field to pick up a new contract which will maintain employment at their Nigg yard until 1980.

The McDermott yard at Ardeer is completing a platform for export to Brazil and will go on to fabricate the structure for the Murchison oilfield. Meantime, management of the Methil yard in Fife has been reorganized as a result of the takeover by the British-Dutch partnership of Bedouin of the oilfield De Groot and has contracts which include parts for the Tartan oilfield jacket and the smaller satellite platform for the Fulmar field.

Another British-Dutch partnership has been formed, between Howard/Dan, which recently delivered the central platform for the Ninian field, and NAMPT International. Scottish firms have also been keeping an eye on technological developments which could change the pattern of offshore ordering. The Scott Lithgow shipbuilding group on the Lower Clyde is co-operating with a United States company in the design of a floating platform system which could offer the oil industry a less expensive means of developing marginal fields.

As well as the manufacturing opportunities created by the oilfield development programme, the maintenance and repair requirements of the oil operators will create a sizeable market for companies offering specialist engineering services.

There will also be substantial onshore construction contracts associated with oil and gas activity in Scotland during the next few years. Final planning clearance is awaited for the proposed gas fractionation unit at Moss Morran in Fife and an associated tanker terminal at Dalgety Bay in the Firth of Forth.

Frank Frazer

Energy Correspondent,  
The Scotsman

## Shipping

The Clyde shipyards have received huge levels of investment in recent years, making them as competitive as any in Europe. The £30m spent at Govan Shipbuilders has transformed the yard. Scott Lithgow added the capacity to build giant tankers to its impressive complex on the lower Clyde. The former John Brown yard at Clydebank turned from elegant liners to the grossly functional structures designed to search for oil. It has been profoundly disappointing that the capacity to build ships from super-tankers to plastic mine sweepers with a new level

## Promoting industry becomes increasingly important

and some 50 other projects in the pipeline. The initial crop of odd propositions seeking somewhere to roost has passed as the agency's scope became clear. This year investments could reach £40m, next year £89m and after that to as much as £100m. The total will exceed the £300m original budget which Mr Robertson regards as "a legislative tripwire" allowing Parliament to keep a watch on the agency's spending.

The five Scottish new towns, of which East Kilbride is the oldest, started in 1947, have chalked up 1,000 industrial companies between them, one in 10 of which came from overseas. Factory space measuring two million square metres provides a place of work for more than 55,000 people. The calculation is that one

## Agriculture

The independent voice of Scottish agriculture is fully represented at Whitehall, in the Cabinet and in Brussels where most of the key decisions affecting British farming are now reached.

It is a situation which belies the belief among farmers that they do not get the same priority rating from the politicians as, say, North Sea oil does.

Last year the value of output from Scottish farms reached an estimated £851m, an advance of 14 per cent on the 1976 level of £746m. As usual livestock and livestock products contributed the major part of these earnings—£534m.

The most significant increase in the value of livestock production was in sheep, with mutton and lamb output up by 20 per cent at £63m and wool up 28 per cent to £7.4m. This is in line with the trend of recent years, thus helping to restore confidence in the hills and uplands, which account for about three quarters of Scotland's land mass.

The bills are also the reservoir for the lowland farmers' "raw materials". But even with the savings of series production, it is impossible in the present climate of orders to make shipbuilding pay.

At Scott Lithgow the new yard in which giant vessels could be built in sections for stitching together at the quayside was severely hit by the slump in the tanker market. But this flexible facility, which does not rely on a conventional dock, could be used to diversify into building for the offshore oil industry.

R. F.

## Motor industry

The motor industry in Scotland largely dates from the early 1960s and was the result of government policy to direct new factories into areas of high unemployment.

Two motor plants were built in Scotland, the Rootes (later Chrysler UK) car factory at Linwood, near Glasgow, and a Leyland truck facility at Bathgate in West Lothian.

Some 15 years later, the experiment of taking the industry away from its traditional roots can be judged only a moderate success. Linwood and Bathgate have given work to many thousands of people but at the cost of geographical remoteness and a volatile labour force where the disciplines of motor manufacture.

Linwood, in particular, has had a troubled history. The collapse of Chrysler UK, which led to the government rescue plan at the end of 1975, was partly attributed to the poor performance of Linwood. However, the injection of public money presented the opportunity for a fresh start.

Avenger production was moved up from Coventry and into a new £10m plant at Linwood, the Sunbeam, was coming off the Linwood lines. But hopes of a more stable and productive era at Linwood were short lived and the Peugeot-Citroën plan to acquire Chrysler's European operations has led to fresh speculation about the future of the plant.

Bathgate, too, had its teething troubles, but in general progress has been more peaceful and production of medium and light trucks and tractors rose from 33,000 in 1976 to 38,000 last year. The target for 1978 is 44,000. Together with the Albion truck factory in Glasgow, which it acquired in the 1950s, Leyland's Scottish operation accounts for one in six of all the trucks sold in Britain and employs more than 9,000 people.

The company is spending £40m on streamlining the business so that the Albion plant will cease assembly and become a manufacturer of axles, gearboxes and other major components for Bathgate as well as other Leyland factories. At the same time, assembly capacity at Bathgate is being expanded with an extra 317,000 sq ft of space.

Peter Waymark

Motoring Correspondent,  
The Times

## Steel

The Scottish steel industry has become trapped almost helplessly between recession, a catastrophic level of loss and the necessity for de-laring workers redundant at a time when unemployment is already high.

The harsh facts of commercial life are steering the industry towards rationalization and the number of Scottish steelworkers has contracted by about 6,000 over the past four years to about 21,000. A large segment of west central Scotland relies totally on steel-making and the names of Motherwell, Bellshill, Glesgarnock and Craigneuk have the particular ring of that industry about them.

Two immediate results for Scotland were foreshadowed in the Government's steel White Paper: the closure of the country's last open-hearth furnace at Glesgarnock, which produced metal at a very high cost, and the shelving of hopes for an integrated steel plant at Hunterston on the Clyde coast, simply because present expectations of a development could not be justified.

The corporation's proposals to the TUC steel committee and the local workforce are that steel-making should end at Glesgarnock and the works be reduced to producing narrow plate materials used in ship and bridge building.

These proposals are now under consideration but the social cost according to local calculations would be to reduce the Glesgarnock workforce from 1,000 to about 250, raising local unemployment towards 30 per cent. The Government is balancing the political implications of this against a loss at present calculated at £1,000 a minute.

The unions and the Scottish National Party, which has attacked the Government strongly for its policy on steel, are determined to press for a continuing high level of investment in the industry. But the commercial imperatives of reducing the loss have, in the unions' view, clearly triumphed over the political pressures to remain popular at a time when a general election could be approaching.

The corporation would claim that to be a cynical view and would point to the £440m investment in steel-making capacity that will ensure that Scottish plants produce 15 per cent of the corporation's total output, half as much again as the present figure.

The steel corporation insists that Scotland has been affected no more than the rest of Britain as modernization and slump have cut the workforce. The phase-out of obsolete plants under the 10-year strategy which began in 1973 is almost complete and there has been no suggestion that the development of the new Scottish works at Ravenscraig in Motherwell should be modified.

Redundancy deals for hundreds of steelworkers have been worth up to £10,000 a man, a generous cushion to soften the blow of unemployment. Ravenscraig's £230m modernization will mean a doubling of liquid steel capacity to 3,200,000 tonnes a year by the early 1980s.

Hunterston has received an order terminal and two direct reduction plants costing a total of £160m. Improvements to the tubes division at Imperial Chemicals have cost £22m. The Dalzell plant, now the most modern heavy plate mill in the country, has re-

ceived £12m and the cold reduction mill at Glesgarnock £4.5m.

Government thoughts on further large-scale development in Scotland are not the construction of electric arc plants at Hunterston and Ravenscraig, which would have added about a million tonnes of high quality steel to an already swamped market. Scotland has electric arc furnaces at Clydesdale producing tube steel and at Hallside Works, Lanarkshire, making special quality plate and boiler steel. Clydesdale now manufactures 90 per cent of the casing pipe used in the North Sea oil industry.

Since world demand has slumped so sharply and the corporation now is working only two-thirds capacity, there is a reluctance to embark on projects that will add to unwanted production, particularly as losses in the Scottish division of BSC seem likely to have almost doubled during the past financial year to more than £80m.

R. F.

## Tourism

During a year in which H MacDiarmid has given warning against "Switzerlandisation" of Scotland, Robin Macle has announced that tourism is one of the few growth sectors of the country's economy. This confirms poets and tourists to be chairman of the industry.

But the two pronouncements taken together, interestingly, they appear sum up attitudes widely held in the North Sea oil industry.

Not content with buying up the best male whisky from Scotland it seems that the Japanese, and more especially the South Koreans, have now set a team of management "head hunters" to find whisky-blenders and distillers who would attempt to duplicate the most famous of Scottish products in the Far East.

The threat of Far East sales being hit by imitation Scotch whisky is one which has existed for several years. Exports of whisky to Japan were down to £16.7m in the first five months of this year, but the industry as a whole is confident that it can restore sales in that area and, in any case, point out "Ben Fujiyama", or whatever the Japanese call their whisky, is nothing like the real thing.

Exports worldwide have risen 13.6 per cent so far this year in terms of volume and 23.5 per cent in value. The total was 40,000,000 gallons worth £232.8m. Blended Scotch in bottle is still the largest seller with exports in the first five months of this year totalling 27,100,000 gallons worth £197.6m.

The fastest-growing sector is the export of malt whisky in bulk which is up 30 per cent in volume and 39 per cent in value to 4,100,000 gallons, worth £114m.

This export in bulk has caused considerable controversy in the industry. The producers say that it is essential for continued sales success and consequent further investment and the unions, notably the General and Municipal Workers Union, are calling for a ban on such exports saying that jobs as well as whisky are being sent overseas.

This insistence of the producers to take every sales advantage they can largely stems from the shock that the industry suffered in 1975 and 1976 when, after a production peak of 180 million gallons, sales dropped dramatically. Investment plans were temporarily shelved and the industry's self-confidence was shaken.

However, in the past 20 months sales have improved considerably and the industry has been remarkably successful in controlling its costs. Wages have been contained within overall targets, there has been considerable success in energy saving and previously wasted by-products have been used as cattle feed.

The Scottish brewing industry, although largely owned and operated by the national brewers, operates quite differently. Unlike brewers south of the border those in Scotland have little tied trade and at times of industrial trouble this has had a serious effect on sales, it taking some time before customer loyalty is rebuilt.

Scotland is where the British lager boom started and the proportion of lager to other draught beer produced and drunk is still considerably higher north of the border. Lager brewing demands massive capital investment and the success of the Scottish brewers here is nothing short of remarkable.

D. Y.

## COME ON! THE WATER COLD.

The temperature may be hot but the heat is on for oil and gas recovery from the North Sea. Offshore work demands a rate back up and here in the Grampian Region of Scotland where it is found.

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## Shetland: the outstanding success story

Alan Hamilton

As taken as no small element in the Shetland Islands recently when an oil magnate died, the two people he had ever dealt with were President Gaddafi of Libya and the clerk of the Shetland Islands Council.

Should Scotland achieve its ambition of an Assembly in Edinburgh, the country is in grave danger of being over-governed, a fact which has not escaped the notice of the Scottish Nationalists. Their proposal to abolish the regional councils should they ever achieve the balance of power in Edinburgh.

For the first time since the establishment of the two-tier local government in 1974, the Scottish regional councillors had to offer themselves for reelection this year. The fact that many of them were returned unopposed, especially in the remote areas where party politics has traditionally had little place in local government, was a clear indication of the political label attached to a

councillor is "independent", must be taken as evidence of general public satisfaction with the way the new system is working. It was not always so. In the early days of the regional councils there was much public disquiet, particularly at the huge salary increases paid to many officers who, apart from a change in the title of their employer, continued to perform much the same job.

There may have been satisfaction, but there is a lack of understanding of the role of regional councils. Candidates during the local elections in May reported that the subject on which they were most frequently tackled by voters was housing, the one main area outside the control of the regions. For the most part, candidates had to fight their campaigns on national issues for lack of any easily grasped regional issues.

The prime example is Strathclyde, the largest region which contains more than half of Scotland's population. It is difficult, at least when fighting an election, to find common ground between an unemployed industrial worker in the Easterhouse estate of Glasgow and a lobster fisherman on the Isle of Mull. The council has recently felt obliged to produce a booklet explaining what it has been up to for the past four years. The regional council has also embarked on an ambitious environmental programme to remove some of the area's derelict mining industry.

But it is the island councils, and Shetland in particular, that appear to be making the new form of government work best. They are different in that there is no two-tier structure; one authority assumes all local responsibilities, and in the case of the Western Isles, at least, it means that they are freed from the need to deal with a remote and not always interested county council in Inverness.

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## Islanders claim fare policies unfair

Transport planner faces challenge north of the Great Glen. With half the population concentrated around the belt and the rest scattered out in communities are often remote and undrained by either mountain or water it is almost impossible to provide a transport service that the critics of being a regular and cheap means suffered a severe realization under Beecham's miles of line disappeared, only to be regretted east when the oil boom died shortly after and the for a large-scale bus system grew urgent, the best rail routes in and are those which lead to England. The electricity cost line brings a within five hours of view and the 125 mph introduced down the coast from Edinburgh cut the journey time in a dramatically.

road north, the A9 to Inverness, remains frustratingly blocked, especially in the south is barely up to standard for the weight of traffic using it and is the reason for campaigns to improve the "killer" road. British Airways operates the scheduled services between Glasgow and Edinburgh and other important airports at Aberdeen, Inverness, Orkney, Shetland and the Western Isles, as well as the lucrative shuttles between Scotland and London.

Ironically the resoundingly Scottish airline British Caledonian runs only a feeder service from Scotland to Gatwick, from where it flies profitable routes to Africa and South America. Is this a case yet again of Scots being forced to go abroad to earn a living? On a smaller scale Loganair has developed a network of services within the main island groups which are immensely popular and valuable to the community and

which make island life far more secure and tolerable. In the Western Isles the service uses the beach on the caravan season. The A74 from Glasgow to Inverness is barely up to standard for the weight of traffic using it and is the reason for campaigns to improve the "killer" road. British Airways operates the scheduled services between Glasgow and Edinburgh and other important airports at Aberdeen, Inverness, Orkney, Shetland and the Western Isles, as well as the lucrative shuttles between Scotland and London.

MacBrayne which has invested heavily in roll-on, roll-off facilities to speed the handling of freight and to allow motorists to explore the remote corners of Scotland. However, it is government policy that services should make a profit, although the company is provided with some subsidy powers, and proposals that sea routes should be created as an extension of the road system and strongly subsidized have been firmly resisted by the Government. As a result the cost of living in the islands is markedly higher and at the root of many problems is the charges for freight and the soaring price of fares.

Building costs may double when all the materials have to be brought in by ferry, shop prices are reckoned to be at least 10 per cent higher, and for some goods considerably more than mainland levels, and the point is that not even Shetland with all its oil has the real political muscle

to force the Government to do something. There is one corner of the rural transport scene that has been a resounding success for all concerned and that is the Scottish post bus system. More than 2,500 miles of the loneliest roads in Scotland are now served by mail vans that can carry passengers. The system has proved remarkably successful. Over 100 post bus services have been introduced and each bus has yielded £500 a year profit. The Post Office calculates that if each of the 1,500 mail vehicles operating in rural Scotland could earn £2 a working day selling space for goods or passengers, the Post Office could benefit by £1m a year. An odd bonus from the service has been a sharp reduction in maintenance costs. Post Office drivers, it seems, handle their vehicles more sympathetically when there are people on board than when they have only a solitary, uncomplaining mail bag.

R. F.

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A. H.

## Land revolution by stealth

Question of who actually owns Scotland has been a tender political subject in recent months. With the sale of thousands of acres reported to be sold to anonymous interests, and with bodies—notably the Lands and Islands Development Board—seeking to control over land, the traditional has begun to wonder the several new pres-lead.

Mr. A. F. Roney Douglas, federation director, says land acquisitions by overseas interests are far less of a threat to good land use than C.T.I. Foreign land buyers are reported to have acquired 250,000 acres of 19 million of Scottish land. The proportion was small but even that was unimportant when compared to how the land was being used, how productively and efficiently it was being farmed.

An impression had been given, perhaps for strong political reasons, of Dutchmen loaded with guilders and Arabs bearing unrefusable offers buying up huge tracts of Scotland and practically towing them away. Mr. Roney Douglas pointed out that an estate could not be compared with a Van Gogh and in any case it was hardly Britain's place to criticize foreigners for seeking to buy abroad when historically Britain had owned land all over the world.

The strongest objection which the federation and the institutions had was over the Government's refusal to tax land management as a business, which it undoubtedly had to be, so that earnings could be retained to plough back into the land. The mass of taxation was preventing many good landlords employing more people and trying out new ideas. Various proposals have been made to take land into

## Promoting industry becomes increasingly important

continued from facing page

In Scotland that tourism is a bit like fire. A good servant, a bad master, and something that charges madly across the landscape when there has not been much rain. Now that we are poised to grasp the nettle, or thistle, and make this big industry bigger, it is comforting to feel that we are still able to question where it may take us. It would take a courageously misguided spokesman to give the view that tourism should be the biggest employer and money-spinner around there.

This, however, is the size of tourism at the last count. It provides 100,000 jobs, many in remote areas with little or no manufacturing industry; it brings in £500m, of which £350m is spent by British tourists (including Scots) and £150m by overseas visitors. What is likely to cause some conflict in a region of sporting estates is the definition of "under-used" land. The board insists that it has no ambition to build up a land bank and is interested only in individual schemes on small acreages. Certain areas now covered in heather could be reseeded and put to good agricultural use and the Highlands were amply big enough for sporting interests and agricultural enterprises.

R. F.

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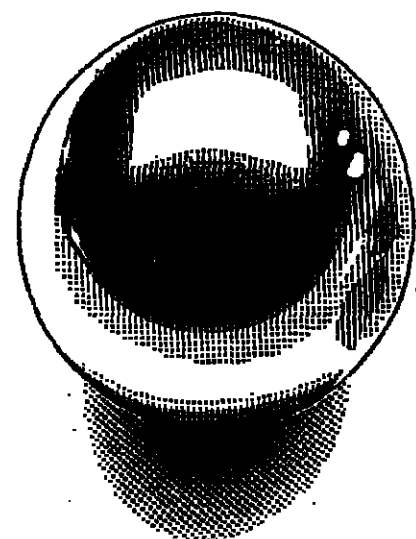
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THE SIGN OF SCOTLAND'S INDUSTRIAL GROWTH.





much should be expected short session of the United Nations Law of the Sea Conference in New York. It is being held mainly in three of the eight weeks down for the session in last spring were spent in the debate, of a procedural galactic kind, about the details of the conference's work. The five weeks that followed, however, brought a more gratifying procedure in the New York session attempt to keep up the momentum achieved.

The main areas of disagreement fluctuated over the years of serious talks since the Caracas conference of 1974. So often an issue thought intractable suddenly became amenable to settlement, others thought to be easily solved proved troublesome. Geneva talks sensibly isolated specific issues on at the time, most conciliated to be done, and set negotiating groups to discuss.

The New York meeting followed the same pattern and in some strands of luck drawn together early on at what is hoped will be final working meeting of the conference. The formal work of the new Law of the Sea Convention could, therefore, have been in late 1979 or, allowing some slippage, in 1980. Of course, take several years for the Convention to

come into force and for the institutions created under it to be established.

At the seven negotiating groups deal with various aspects of deep-sea mining: the nature of the regime to be set up, the financial and contractual arrangements governing it, and the powers of council which is to run it. The last of these has given rise to a classic difference of opinion between the countries of the third world, which have neither the money nor the technology to conduct the mining but would, on a one-state one-vote system, have the power to control it, and the countries of the industrialized world, which have all the know-how and therefore demand a voice stronger than their numerical representation over decisions on mining operations. Broadly the same groups are in disagreement about the amount of finance that can be expected from the industrialized states, and especially from the United States, which mining companies continue to wait for the go-ahead to start operating, whether this comes about by agreement at the conference or by unilateral United States legislation.

Two of the other outstanding subjects under discussion are of particular concern to Britain. With the fish dispute within the European Community, on her hands already, Britain could have done without having to defend its interests against a pro-

anger at Mr Hua Kuo-Balkan tour is fairly by China's feelings over 1. Vietnam's declared ace for the Russians, 2 the point of joining in last month, is plainly at China on the inter- national level. But this conflict in China and Vietnam also in two other levels. There regional competition arises in Vietnam's expansionist policies as a power in South- Asia. Some years back association with Cam- was evidently intended to this. Then at a third and at the moment the of most bitter feeling, is of treatment of the over- seas community. So far negotiations at vice-foreign level to settle this have not got much mutual abuse.

The crux of the argument is Chinese claim that they an agreement with the communist government whereby the Chinese community there could choose to adopt Vietnamese identity or retain their status, whereas in the in 1956, the Saigon gov- of Ngo Dinh Diem the much larger Chinese identity willy-nilly to take citizenship papers if they remain in the country. Chinese are willing to reach agreement for the unified but insist that the community should be choose. They are un- to recognize the impos- the "reactionary" Diem- ment.

Chinese seem to admit these facts but imply that after twenty years this choice of nationality by the southern Chinese has become an "historical reality". There are other factors involved, of course, notably Vietnam's bland claim that they are only seeking to extinguish the money-making of the petty-bourgeoisie in the way that the Chinese had dealt with their own native capitalists; but since well over ninety per cent of those so classified are over- seas Chinese this is dismissed as a sophism. Yet in so far as the argument is one over citizenship it embraces the plight of millions of Chinese scattered in all countries in South-east Asia.

With the withdrawal of colonial rule in the region in the nineteen-fifties the Chinese government was quick to see that some general policy towards these communities was required of them, especially as they were becoming subject to severe discrimination and often violence at the hands of newly-independent and aggressively nationalist governments. The Chinese could not accept them back in China, the majority of them having been settled for generations overseas. The only sensible solution was for them to become citizens of the country they knew and to adapt themselves to the new conditions. Since they were demonstrably an economic asset their accommodation as citizens ought to be possible.

So, in theory, it was. But the Chinese communities lived in their own quarters, clung to their language and culture and were commercially so successful as to be shopkeepers everywhere. This was enough to keep envv alive. Moreover the condi-

ds no more than Mr Callaghan's adoption of such general elections as "Safety First—Labour" or "Better the Devil than—Vote Labour" to provide a massive illustration that the psychological relationship of the vote towards the Labour and Conservative parties has been round. Not many years ago a Conservative cry, an election or a return to everything that is known of life all landmarks would be recognized, to the stewardship of leaders who had a modest trust by their long of governmental experience. Each cry is raised by Conservatism. A vote for Conservatism, if the psychology of the majority is to be taken or chance, a vote for the less known if not the unknown, a vote against the status quo and more in favour of risk.

ed or speech to assure it will be listened to be sure it will be heard. But the Conservative policy in newspapers are sympathetic to the Conservative and you are likely to meet Mr Thatcher and his team as "radical" in the world of politics. In these days nevertheless a word intended to be a new broom that will turn things upside down or inside out.

ere is an apparent acceptance of Labour government is the status quo, or an implied acceptance of Labour rule for the election. Now regards Labour government as the status quo. The Conservative campaign made to reverse the status quo to the best of its ability.

Labour leaders, full blooded socialism has not become the status quo. Though the majority of ministers and Labour policies have become better known than Conservative men and measures. Sir Harold now and then, and Mr Callaghan all the time, have created the impression of a return to first, and both in various ways have increased the number of voters who directly benefit from Labour policies.

Secondly, the Conservatives, who have been very generous in conserving party leaders wherever else they conserve, in 1975 broke continuity by the overthrow of Mr Heath in favour of Mrs Thatcher. By the Conservative Party or rather the members of the 1922 Committee in the Commons, rejected most of the years of power from 1970 to 1974 on the argument that it was false to the conservatism they wanted.

That break in the Conservative record must be reckoned crucial. It is the Conservative Party, easily remembered, particularly by younger voters; and it is now difficult, if not impossible, to leapfrog those years to reinvoke a distant Conservative memory. Moreover, the rejection of Mr Heath carried off the Front Bench a group of the better-known expositors of Conservatism, who had the merit of immediate electoral recognition and the promise of safety that may bring to some voters.

Now let us deal with the risks of presenting the Conservative Party as the agent of radical change, as the new broom that will sweep out of knowledge the past. It is not of knowledge that cannot yet be clearly stated in their place. Anybody who knows the Labour Party, or who has

posal that some of the fish in the waters of maritime states should in effect be appropriated for the benefit of the poorer states, especially those that are landlocked or otherwise geographically disadvantaged. That issue is being linked with another of importance to Britain, the definition of the continental margin. Britain's margin extends far in excess of the two hundred miles which every country will be able to claim as its exclusive economic zone. Exactly where the cut-off point should be beyond which Britain would no longer be able to exercise any jurisdiction over resources on the sea-bed—oil in particular—is clearly of crucial financial interest to the country, although it should be said that exploitation further than 200 miles out to sea is unlikely to become possible for many years.

Britain cannot be expected readily to give up resources of national importance. At the same time, for any global agreement to be reached, compromises will be needed from all the states participating in the conference. The latter half of the Geneva session suggested that the vast majority are in the mood to make serious efforts to bridge the gaps—some of them substantial—that still exist. In the same spirit, New York ought to see a further small but noticeable move towards the ultimate objective.

tion of the overseas Chinese differed from country to country. In number they could be as high as thirty-eight per cent in Malaysia down to minorities of less than five per cent. A further complication was the extent of intermarriage. It was much higher among the ethnically Mongoloid populations akin to the Chinese that also practised the tolerant Buddhist religion as in Thailand and Burma. It was less in countries ethnically Malay such as the Philippines, Indonesia and Malaysia with the intolerance of Islam as a religion operating in the two latter cases. While some countries have made progress in admitting the Chinese to citizenship and the rights that should be obtained by race—Thailand, probably the best case—on the whole the overseas Chinese problem is far from being solved.

It is difficult for the Chinese government to disown these communities entirely. It has, in the past, welcomed their investment in the home country. In the two provinces from which nearly all of them emigrated, Fukien and Kwangtung, there are still consciously-maintained family links. It would run against Chinese instincts to weaken such ties or to ignore the fate of Chinese communities that suffer violence of the kind that has faced them more than once in Indonesia and that broke out in Malaysia in 1969. Yet what can a China that seeks good relations with all these countries do but protest and hope that time will bring a solution? It is not surprising that the best-educated and most talented Chinese in South-east Asia emigrate to such security and employment as is available in western countries.

merely flipped through the policy statement it published in 1976, understands well enough where a Labour Government with an adequate Commons majority would be heading.

*Estuaries would flourish like the green bay tree, though nationalization would probably take the form of one-off expropriations of strategic companies, rather than the gradual nationalization of the whole of an industry. The class war would be waged by punitive taxation and rising public expenditure, at least until the nation again stood in pawn with the international money markets and other international moneylenders. There would be the watershed Mrs Thatcher describes, beyond which collectivism, perhaps universal, would take the place of individualism, and the economy and tax into ruin would be maintained.*

But to say that is to express a political judgment that floating voters, or disenfranchised Labourers, may not subscribe to. The Government is likely to be that is in the forefront of their political recollection: a Callaghan Government that cut public spending at the bidding of the IMF, that cut the welfare budget, that cracked the Commons majority to be itself, that cut personal taxation, and that in the approach to the general election, because of its parliamentary impotence, had to call a new ministry had not done and might do now. No matter who gave the orders from overseas for the suspension of socialism, Mr Callaghan ran a steady course. It is in the opinion of the Conservative Party now needs to turn, and we have no reason to doubt that Mr Callaghan will make a case that does not frighten a babe in arms.

To sum up, then: inasmuch as the Conservatives cry for change, even radical change, they run the risk of appearing to be in head-on dispute with just about the two most conservative years in post-war politics. Conservatives, taking the short view, will not understand why Conservatives attack the broad practice of the theories they themselves are recommending. The Conservative case, at electoral level, is in danger of being pitched against the voters' own immediate experience. The true cry is that Conservatives will be as good for Britain as the IMF.

From M.A.E. V. S. Westmacott  
Sir, in 1973 I was in Dabte, on a  
Mitchell Cotts plantation in the  
Danakil Desert of Ethiopia. One  
day in a cloud of sand part of the  
horde of refugees returned to me  
flashing white bairy knees and  
pearly confident smiles. I wanted  
to do something constructive for  
the famished community and thus  
worked for some weeks with them  
in the Danakil Desert camps.  
There was a large number of  
charitable organizations represented.  
There was Oxfam, Save the Chil-  
dren, Save the Aged, American  
Aid, Christian Aid, Australian  
Unesco, WHO and countless others.  
Their efforts were not coordinated  
and farcical situations occurred be-  
cause Europeans were acting in-  
dependently in the western world  
and were unsure in a country like  
Ethiopia.

I left the camp with a profound sense of privilege at having worked with such an international group; I was also struck by the number of who were without exception dedicated, warm and caring people. But I was equally dismayed by the chaotic, sometimes counter productive, sometimes wasteful and almost chaotic, sometimes lazier and more chaotic, sometimes more chaotic groups, each of whom was laudably trying to relieve the famine.

If Dr Frances D'Souza is offering to set up an organization to investigate needs of disaster-stricken areas, I would like to see a centre and liaison for all groups contacting on the site of disaster and then, hopefully make disaster relief more situation specific with regard to controlling conditions and better. I'll gladly add a penny or two to her coffers.

Yours faithfully,

E. V. S. WESTMACOTT,  
3 Old Foresters,  
Isington.  
Nr Alton,  
Hampshire.  
August 16.

from the Director-General of Oxfam  
Sir Caroline Moorehead's article  
in *Sir* (August 16) has again attracted pub-  
licity towards the efforts of volun-  
tary agencies like Oxfam in respond-  
ing to a wide variety of emergencies  
all over the world, and of the Inter-  
national Disaster Institute's (IDI)  
planning and disaster plan-  
ning and evaluation.

We are concerned that, because  
of its generalizations, the article left  
the reader with the impression that  
the IDI has no links with the agen-  
cies. In the case of Oxfam this is  
not true. Oxfam is a member of the  
staff of the IDI and two of  
our staff met a group of us in  
Oxfam when, amongst other things,  
we discussed the need of the IDI  
for core-funding; the proposal that  
we should meet together quarterly;  
and that we should submit to the IDI  
to submit proposals and cost-  
ings for a monitoring programme in

From Dr. Eric M. de Savenhede

From the Reports from Rome indicate growing unease among the members of the Sacred College about the late Pope's ruling which bars the 15 cardinals who had cast the decisive vote in the 1978 conclave. The first introduced in 1970 with a hastily written "motu proprio", the age disqualification was solemnly reaffirmed in Article 33 of the apostolic constitution "Romani Pontificis Electionis" of 1975.

It is noteworthy that the late Pope's motives at the time, the reasons and since officially advanced for this extraordinary and disturbing measure have been singularly unconvincing. Even after the apostolic constitution of 1975, the Sacred College of Cardinals (including the over 900 members who govern the Church during his absence) Nor is there any age limit: the cardinal-electors (under 80) are free to choose as the next pontiff one of those who (because of age) have been excluded from the conclave.

Moreover, Pope Paul's statute confirms earlier dispositions that no cardinal may be excluded from the conclave by reason of any canonical sanctions whatsoever, including formal excommunication. The possibility of selecting a new Pope, these sanctions are deemed suspended. How can an external factor such as reaching one's eightieth birthday or, more irrationally still the purely arbitrary constitution of the law of August 24 and not two days later, be considered a graver impediment than excommunication—eg, on account of proven heresy?

Should the cardinal-electors accept this situation? Its lack of logic is too apparent to need a dark shadow over the whole conclave. Already, Archbishop Lefebvre is reported as saying that its proceedings may have to be viewed as irregular if the old canons are not applied. And the College of Cardinals still decide to admit them? Hardly, since Pope

from Mr Paul Sieghart  
tr. Writing of Lord Croham  
said, August 17, we said that  
it is almost unique event when  
former top civil servant, with 40  
years' experience in Whitehall,  
makes the case for open govern-  
ment."

Such events are no longer as  
unique as they once were. Nor  
was Lord Arncliffe (whom  
you mention) made the same case,  
but he has several others. The  
Justice Report on Freedom of In-  
formation, which proposed a  
revised Code of Practice for the  
handling of government informa-  
tion, was to be investigated by the  
ombudsman, was the unanimous  
work of a Committee that included  
no fewer than three former top  
civil servants: Sir Denis Dobson,  
Sir Allan Marre and Baroness  
Gilbert.

Such a Code of Practice could  
be brought into force at any time,  
without any need for legislation.  
We hope that it will not be long  
before it is.

Yours, etc,  
PAUL SIEGHART, Chairman,  
Executive Committee,  
Justice.

Clement's Inn, Strand, WC2.

From Lord Bruce of Donington. Sir, Britain's net contribution to the EEC budget is now running at far higher levels than that indicated by Mr Hornsby (August 11), whose statement put it at 195m in 1975 at a mere £170m. In 1978 the figure will reach over £640m and it is estimated to increase in 1979 to over £700m. In this situation, it is noted, exists contemporary with cuts in domestic public expenditure which have made drastic inroads on the Government's needs of our National Health Service, into housing, hospital and school programmes and into the real effectiveness of the wide range of social services provided by local authorities throughout these islands.

About £223m of our projected net contribution for 1978 represents our proper share of EEC spending which is shared by all member states of the United Kingdom—on costs of administration, specific Community projects and development cooperation all totalling some £1.116m. This is the amount which we contribute from which we derive no benefit, of £777m. Together with a much greater sum supplied by the Federal Republic of Germany this will be the amount which will be used for the Common Agricultural Policy Regulation, and in varying degrees, to all the remaining EEC countries save perhaps Belgium, all of whom receive more money than they pay.

It is a curious request to account the idea of "cutting back the CAP" on the grounds that the phasing out of monetary compensation amounts arising from the green currency arrangements would deprive the poorer regions of Britain. This is not so. Since May 1971, 1975, these MCAs

From Mr Tam Dalyell, MP for West Lothian (Labour)

Sir, in his "Letter to a European Friend", *The Times*, August 16, Mr Mauding writes: "So far as my constituents in Chipping Barnet are concerned, I think that their general view is that they have no objection whatever to the Scots running their own Scottish affairs so long as (a) they don't present us with a bill for it, and (b) they don't try and run our English affairs as well."

It is high time someone broke the news to the electors of Chipping Barnet that the Scotland Act violates both Mr Maudling's conditions.

In relation to (a), the costs of the Assembly in Edinburgh, and the paraphernalia of yet another tier of government, will come out of the public grant out of the pocket of the UK taxpayer. How long will the Scots accept less per capita on housing, education, and health, because they have to pay for another bureaucracy out of funds which might otherwise have been allocated to social services?

Yet, equal per capita government expenditure in Scotland, or more per capita, as at present, will mean that the costs of the Assembly and all its ramifications, means by definition, that the taxpayers of Chipping Barnet will have to fork out cash for the Scots.

Furthermore, since the Assembly cannot raise money of its own, every grievance, real or imagined, will be laid at the door of a parsimonious English Treasury. The English will give way to the Assembly's demands for more cash, to the upset of Mr Maudling, and many other English MPs, or the cry for financial powers for...

From Mr Roy Fuller  
Sir, Both Mr Howells (August 11)  
and Mr Edgerton (August 18)  
acknowledge controversy and opposition  
apropos the proposed development.  
What they say is in defence of  
the Government. It does not affect the point  
of my original letter—since the sites  
are in an outstanding conservation  
area and the Greenwich Council are  
both developer and planning authority,  
the Secretary of State ought to  
adjudicate.

Yours faithfully,  
ROY FULLER,  
President  
Greenwich Society,  
37 Langton Way, SE3.

From Mr Norman Easton  
Sir, We put a lot of store in this country on academic requirements for university entrance—and quite rightly so.  
But we make no provision in our university system to help those who show high potential in those sports in which we engage at international level.  
The 1978 Commonwealth Games clearly illustrated the potential we have available, and why should we let the Daley Thompsons, the Christopher Snoddes to disappear to American universities to receive the necessary training to make them worldbeaters?

Is it beyond the bounds of possibility to utilize some of the money from the Queen's Jubilee Fund to provide scholarships to British university students?

And on the strength of this get support from big business and trade unions to put up money for the necessary facilities underpinned, of course, by government initiative.

We have a Minister of Sport who ought to be making up blueprints already for such an exercise.

With such great inspirational teachers as Alan Pascoe and Brendan Foster on hand we could really go places. Why can't we?

Yours faithfully,  
**NORMAN EASTON,**  
The Castle Close,  
Ripley,  
West Sussex.  
Dear Harrogate,  
North Yorkshire.

**From Mrs Myrna Bustani**  
Sir, Mr Samuel Solomon suggests (Letters, August 3) that 75 per cent of the Maronites want to see Lebanon partitioned and a Christian state set up.  
I imagine that I know more about my country and my religious com-

have been paid in cash not to the food; importing countries such as ourselves, but direct to the food exporting countries. Reducing total CAP expenditure would therefore be to the direct budget advantage of Britain and reduce her huge and burdensome net residual contribution.

Her Majesty's Government insist on now the necessity of radical changes in the CAP aimed at a reduction of her colossal and unrequited net contribution to it involving, among other things, a discontinuance of the income support, spending nearly £1,000 million a annum in the storage of excess of large and unusable food mountains. At the same time it should also insist on a complete restructuring of the Regional and Social Funds of the Community to make them play a more active part in reducing the gross disparities between the richer and the poorer areas of Europe.

As Mr Jackson says, the current negotiations on the proposed changes in the European monetary system provide an opportunity to raise these matters. Indeed they must be stipulated by Britain as pre-conditions for any agreement which would restrict her right to vary her exchange rate, since this represents her most powerful and only defence in times of economic adversity, the effects of which have already been worsened by her grossly disproportionate financial contribution to Community funds.

Yours sincerely,  
DONALD BRUCE,  
House of Lords.

In relation to (b) under the Scotland Act, I and 70 other Scottish MPs will be able to (speak and) vote money on policies concerning housing, education and health in Chipping Barnet, when and any 70 colleagues speak and vote on the same matters in Bathgate, the largest town in the constituency which sends me to Westminster. Only too probably, Scots MPs, without responsibility for the most delicate matters of politics in our own constituencies will be able to influence decisively the future political decision in Chipping Barnet and any other English constituency.

Alas, these are not minor anomalies that can be altered, or overcome by goodwill. They are geological design faults in the Scotland Act. Mr Mauding ought to tell the people of **Chipping Barnet** that there is no way in which his edition of the Act, in which he subordinates Parliament to be set up, in part, though only part, of a United Kingdom. If there had been any solution to Mr Mauding's points, the House of Commons might have alighted on such a solution, during 46 days of debate. We didn't. And why? The cause there is no doubt the same. The subordination of the Chipping Barnet "constitutions" cannot be met, and the saviour the English understand this, the better.

If people in Chipping Barnet desire to prevent the break up of the United Kingdom, all they can now usefully do is to contact friends and relatives in Scotland, and ask them to record a "No" vote in the referendum.

Yours etc,  
**TAM DALYELL,**  
*Vice-Chairman,*  
**Labour Vote No Campaign,**  
**House of Commons.**

The Patriarch, the President, the former President (Mr. Frangieh), the leader of the National Block (Mr. Edde)—four of the most influential leaders of the Maronite community are all opposed to partition and so are 23 out of the 30 Maronite Members of the Lebanese Parliament.

Mr Solomon should also understand that besides the Maronites there are 12 other Christian sects in Lebanon. Nor one of them supports the establishment of a Christian state.

Yours faithfully,  
MYRNA BUSTANI,  
PO Box 11/1036,  
Beirut,  
Lebanon.

From Canon R. N. Craig  
Sir,  
Why does the discussion of  
police powers always seem to turn  
on the liberty of the individual  
versus the power of the state or  
the police?  
My personal liberty is curtailed if  
I have to take elaborate precautions  
to protect my home or my car or  
myself as an old man, I have to stay indoors  
when the local team is playing at  
home.  
I should very much prefer that  
the police should have greater  
powers so that my liberty may be  
increased. Towards this end I am  
prepared to accept some added in-  
convenience—even the possibility of  
being wrongfully accused.  
I realize, of course, that there are  
other individuals whose liberty  
would be curtailed by these extra  
powers.  
Which individuals should have  
preference in our society? This is  
a question which we must not  
allow ourselves to be distracted by  
the emotive phrases (such as "the  
State") used by the NCCL (National  
Council for Civil Liberties).  
Yours sincerely,  
R. N. CRAIG,  
Messages,  
11 Freton, Epsom,  
Surrey.

From Mr J. C. Stonborough  
Sir, The Chinese go their own way  
in segregating locomotives as in so  
many other things.  
The 07:03 tourist train from  
Peking to the Great Wall at  
Badaling is hauled up the Nankou  
pass by two diesel locomotives. The  
one has a crew of men, the other  
of girls.  
Yours faithfully,  
J. C. STONBOROUGH,  
14a Ashley Gardens, SW1.







# THE TIMES

## BUSINESS NEWS

sites:  
cost  
haos,  
e 14

Dunhill looks  
for quality  
products,  
page 15

### Engineering employers ject 'unreal' policy r industrial democracy

By Patricia Tisdall  
Management Correspondent

Signs that the improvement in domestic consumer demand is at last trickling through to manufacturers are contained in the latest survey of British industry trends. But taken as a whole the indicators continue to point to mixed prospects for producers with a slight deterioration in the recent growth of export orders.

The encouraging figures in the increase in the proportion of the 2,065 respondents to the survey which reported that their total order books were at or above normal. Some 15 per cent said in August that order books were above normal compared with 13 per cent in the July report. The percentage which reported "normal" order books rose from 43 per cent to 47 per cent.

Similarly there was a decrease from 42 per cent to 37 per cent in the number of manufacturers which registered "below normal" orders. All the replies, based on a weighted sample of respondents, exclude seasonal variations and are expressed on a volume basis.

The CBI says that the modest upturn in demand is spread evenly through all size of companies, but demand is stronger for pro-

of quite different experience, training, and outlook can in short order assume and control their function merely by virtue of appointment through some so-called "democratic" process, buttressed by a subsequent smattering of training."

The EEF says the proposal, if accepted, would undermine, not strengthen the building of voluntary employee involvement arrangements.

Industry would be permanently exposed to political pressures generated by interests such as those which it claims, subscribed to the Bullock report on industrial democracy, and who "regard the gaining of control over industry as a necessary step in reshaping society into a pattern which the great majority of the electorate shows no sign of wishing to see."

The imposition of employee-directors by law is seen as the insertion of a wedge and is "relevant neither to the development of true employee involvement nor to the promotion of greater industrial effectiveness."

The federation says that neither the wishes of employees, nor the policies of unions, nor the practice of Europe afford

any justification for statutory worker directors. Indeed, better industrial relations, with their implied wholehearted union acceptance of the objectives of the private sector, would be a necessary precondition of admission of unionized employees to the responsibilities of board representation."

The proposed statutory obligation to consult employees on company strategy is also attacked as interfering with the healthy voluntary process of establishing and operating effective consultative machinery and practices at establishment and business level.

What Britain needs over the next five years, the EEF says, is a period of purely voluntary, but strongly encouraged development of employee participation, without "the stultifying and overhanging threat of the potential imposition by law of a particular fall-back, union-dominated, employee board representative prescription."

The federation recommends a code of practice to help reach agreement on participation agreements. Progress should be reviewed towards the end of the five years and no legislation considered until the results have been thoroughly assessed.

### CBI survey reports weaker demand for consumer goods exports Manufacturers' orders show upturn

By Patricia Tisdall  
Management Correspondent

Signs that the improvement in domestic consumer demand is at last trickling through to manufacturers are contained in the latest survey of British industry trends. But taken as a whole the indicators continue to point to mixed prospects for producers with a slight deterioration in the recent growth of export orders.

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The CBI says that the modest upturn in demand is spread evenly through all size of companies, but demand is stronger for pro-

ducers of consumer and capital goods. Companies in the intermediate goods sector, and particularly those in metal manufacturing, continue to report weak total order books.

A slight slippage seen in export orders could if maintained flatten immediate hopes for an export-led economic recovery. Compared with the CBI's July report, the percentage of firms recording above normal level of demand in export orders has sunk from 18 per cent to 15. However, the proportion replying that their export orders were normal had risen from 39 per cent in July to 44 per cent while those which considered export demand to be below normal has remained static at 40 per cent.

The weakening of export demand is most apparent for companies in the consumer goods sector. While this suggests a sharp contrast with domestic demand for such companies' products, there appear to be ample supplies of finished goods throughout the manufacturing pipeline.

The survey found that 18 per cent of manufacturers (compared with 19 per cent last month) felt that their present stocks of finished goods are more than adequate. A further 60 per cent (compared with

59 per cent) considered that stocks were adequate, and only 9 per cent thought stocks were less than adequate.

A marginal uplift in business optimism accompanies the modest revival in orders. The proportion of manufacturers who expect their output volume to go up during the next four months has risen to 29 per cent, against 27 per cent in the July survey.

The percentage which expects output volumes to remain the same stands at 61 per cent compared with 63 per cent last month, while the numbers anticipating a downturn remains unaltered at 10 per cent. Again, the improvement over expectations recorded in the past two months is most apparent for manufacturers of consumer and capital goods.

A worrying trend, in view of the high proportion of producers—57 per cent—which believe that prices are the main problem in winning more exports, is an expected increase in domestic prices over the next four months.

The proportion of participants forecasting an increase in their average domestic prices stands at 50 per cent, compared with 44 per cent last month. This, the CBI says, is also slightly higher now than earlier in the year.

### Leak in the White House pulled out dollar plug

Major American administration decisions to aid the dollar were widely expected in financial markets late last week.

Expectations had been raised because of the ineptness and inexperience of the United States Treasury and the failure of the Treasury's top officials to resist pressures placed upon them by senior White House officials.

These officials are concerned about President Carter's declining public opinion poll ratings and the increasing complaints of Americans over the rate of inflation and the President's apparent indecisiveness.

For them the dollar's increasing problems offered an excellent opportunity to show the President could act swiftly.

The men now enjoying "so much influence with the President, and who are virtually in charge of economic policy moves, are all old friends of Mr Carter's from numerous past political campaigns."

Mr Hamilton Jordan has become, in effect, Chief of Staff at the White House. Mr Stuart Eizenstat, a lawyer with no international economic training, is the de facto head of White House Economic Policy Planning. Mr Jody Powell is the President's personal secretary, and Mr Gerald R. Shaheen recently left the New York advertising business to take on the job of improving the President's national image.

None of them appears to have much sympathy for the dollar. Mr Blumenthal, the Secretary of the Treasury. Some, if not all, of these intimate friends of the President blame the Treasury chief for the Administration's ineffective anti-inflation programme. The deficits the Administration has suffered in Congress over tax reform, and the dollar's difficulties.

At the same time, some of these White House officials appear to view the Federal Reserve Board's chairman, Mr William Miller, as a man who should be completely loyal to the President and should take White House advice on monetary policy. They do not appear to have much time for the idea that the Fed is an independent entity.

Thus the White House brought pressure on Mr Blumenthal and Mr Miller to prepare options for the President on measures to aid the dollar. As early as last Monday night word reached numbers of private United States bankers that the Treasury and the Fed was planning to act.

"It was the first time in memory that an Administration had leaked something like this before any thought had been given to the sort of measures that were needed", one banker stated.

Expectations were heightened when word spread that a late night crisis meeting had been held in the treasury on Tuesday. "In my day", one former top Treasury official observed "we had the common sense to put our limitations in the under ground car park and close our office curtains on Monday night."

On Wednesday the Administration hoped to dull expectations by simply stating that Mr Blumenthal and Mr Miller had been asked to consider what currency actions could be taken.

The statement only added to nervousness, and that it had the opposite effect to the one hoped for is hardly surprising when it is considered that neither Mr Miller nor the top three officials at the treasury have any direct financial market expertise or any experience in handling a currency crisis.

President Carter has now set off for a two-week holiday, leaving everyone speculating whether Mr Jordan, Mr Shaheen, Mr Powell and Mr Eizenstat, will continue to order the Treasury and Fed about. No doubt Mr Carter hopes foreign exchange operators will follow his example and take a rest as well.

Frank Vogl  
in Washington

### Union challenges BSC 'contract'

Industrial  
onment

by the British Steel  
tion to extend industrial  
ry throughout the  
ion are being  
ed by the industry's  
white-collar union.

Steel Industry Manage-  
Association will  
writ on the BSC  
1 to halt the moves  
approved by the Gov-  
ernment directors.

2,000-member SIMA has  
n consulted about the  
ion's so-called "steel  
" with the labour force,  
ut the appointment of  
on representatives as

part time directors on the main  
board, whose appointments  
were announced at the end of  
last month by Mr Varley, Sec-  
retary of State for Industry.

SIMA is not affiliated to the  
TUC and therefore has not  
been involved in discussions  
between the TUC steel industry  
consultative committee and the  
corporation.

But the organization claims  
that SIMA is entitled to par-  
ticipate in the discussions, and  
moves towards greater in-  
dustrial democracy under the  
terms of the Iron and Steel Act  
1975.

The High Court will also be  
asked to declare that in the

setting up by BSC of machinery  
for industrial democracy—the  
steel contract—SIMA is a  
nationally recognized union,  
with entitlement to all rights  
of participation in the man-  
agement system proposed by the  
contract.

Behind SIMA's move is the  
hope that the High Court will  
grant an injunction restraining  
the corporation from going  
further with the steel contract  
until SIMA has been fully con-  
sulted, and until the organiza-  
tion is accorded full partici-  
pation in the contract.

In an effort to defuse the  
legal row, BSC has offered to  
have talks with SIMA leaders  
early next month.

### Far East drive by shipbuilders

From Richard Hughes  
Hongkong, Aug 20

British Shipbuilders is launch-  
ing a drive for the sale of dry-  
cargo and specialized vessels in  
the Far East, Hongkong will be  
the base and financing centre  
for the corporation's regional  
operations.

Mr Cyril Hudson, director of  
the branch, which opens next  
month, stressed that British  
Shipbuilders would be selling  
"not just ships, but packages."

A "package" deal also in-  
cluded expertise in operating  
the vessel, advice on two-way  
cargo orders and a training  
scheme for the seamen. "Pack-  
ages offered in the Far East will  
vary in content, depending on the  
customer", Mr Hudson said.

"While tanker sales are  
likely to remain in the  
 doldrums for a long while, the  
dry cargo market is picking up  
and in 18 months or so will be  
quite strong."

### Nippon cutback by 30pc as Japan joins Italy in Boeing airliner deal

From Peter Hazelhurst  
Tokyo, Aug 20

Nippon Steel Corporation,  
the world's biggest steel manu-  
facturer, is expected to cut  
back production by 30 per cent  
to reduce its workforce by  
6,000 men.

At the same time it was an-  
nounced that Japan's em-  
bryonic aerospace industry will  
develop a new generation of  
international airliners, in col-  
laboration with the Boeing Cor-  
poration.

Sources close to the Nippon  
Steel Corporation told Japanese  
and foreign journalists today  
that the nation's steel industry,  
with a total annual capacity of  
120 million tonnes a year, has  
lost much of its competitive  
edge in overseas markets.

This was caused by the sharp  
revaluation of the yen in re-  
cent months and the low wages  
paid in steel plants of the de-  
veloping nations.

To assess the full impact of

the Nippon cutback, one must  
realize that 9,000 workers in  
Japan's highly automated steel  
plants produce almost 50 per  
cent of the total annual output  
of the 200,000 workers in the  
British Steel Corporation.

Ironically, Nippon Steel Cor-  
poration is also worried that  
many of the plants it estab-  
lished in developing nations—  
South Korea and Brazil—might  
flood Japan with cheap steel.

The corporation is also com-  
mitted to a plan of setting up  
a new integral steel mill near  
Shanghai for the Chinese.

Elsewhere, Japanese news-  
papers announced today that  
the Government would take  
part in a joint venture with the  
United States and Italy to pro-  
duce a new generation of civil  
airliners.

Japan, which is expected to  
design and manufacture parts  
of the body and wings for the  
new Boeing 767, plans to begin  
production soon.

Officials refused to disclose

details of the joint venture, but  
hinted that the Civil Transport  
Development Corporation is ex-  
pected to sign a formal contract  
with the Boeing Corporation  
and Aeritalia by mid-September.

The consortium has been  
formed to produce a new inter-  
national airliner, code-named  
the Y X. Two types are being  
considered, one is the Boeing  
767, with 220 seats and two  
engines, and the Boeing 777,  
with 234 seats.

Boeing has already received  
40 orders for the 767s. Japan  
is expected to use most of the  
profits from the joint venture  
to develop its own aerospace  
industry.

The emergence of Japan in  
the international aerospace  
market is seen as an apt  
example of how low wages, and  
rise of industrial bases in de-  
veloping nations, is slowly but  
surely forcing Tokyo out of  
its old strongholds—steel, ship-  
ping and television—into the  
more complex arenas

### te bodies aching skilled'

Industrial  
onment

ment departments and  
are said to be poach-  
ing workers from  
ring industry and pay-  
ing heating and ventilating  
e recruits far more than  
guidelines allow.

Jifred Manly, president  
Heating and Ventilating  
Contractors' Association, yes-  
terday attacked Govern-  
ment and organizations  
e Post Office, hospital  
and other statutory  
for poaching workers  
from their share of  
costs.

vey conducted by the  
ation, he explained, had  
d the contradictory  
of the Government.  
dustry was negotiating  
hitherto to life wage rates  
at their historical level  
ed with other trades.

the other hand, here  
training young people  
industry's and our com-  
pense just to see them  
being poached by Gov-  
ernment-sponsored employers  
we are not allowed  
—much as we would like

### Brokers' warning on 'painful' banks corset

By John Whitmore

The latest monetary data  
gave no grounds for compla-  
cency, and the banking "cor-  
set" could become painful if  
monetary growth showed signs  
of exceeding government tar-  
gets, according to stockbrokers  
W Greenwell, in their latest  
Monetary Bulletin.

They point to the strong  
growth in private-sector lending  
during July, and more particu-  
larly the impact of official in-  
tervention in the exchange mar-  
ket to hold down the value of  
sterling. The brokers suggest  
that the authorities should have  
learned the lesson of last autumn  
when the monetary impact of  
excessive intervention finally  
forced them to allow sterling  
to float.

Greenwell also point out  
that the recent figures might  
tend to understate the underly-  
ing rate of growth in the  
money supply. They say that  
some people—not themselves  
anticipating monetary growth at  
an annual rate of 20 per cent  
in the two months prior to mid-  
May to an investors' strike in  
the gilt-edged market.

### Third World plea for freer US imports

Washington, Aug 20.—An  
American Government panel  
will begin hearings on Septem-  
ber 18 on requests from  
developing nations to broaden  
the list of duty-free exports.

Mr Robert Strauss, the Office  
of Special Trade representative,  
said the Inter-Agency Trade  
Policy Panel would also con-  
sider other requests from  
the United States group to with-  
draw previously granted  
special tariff preferences.

The governments of Malaysia  
and Singapore, for example, are  
urging the United States to ad-  
dress their transistors, diodes and  
other electronic components to  
the United States duty-free list.

The United States Industry  
Groups has asked OST to with-  
draw duty-free treatment for  
foreign leather clothing, poly-  
vinylchloride, fishing tackle,  
shoes and some types of  
cheap cameras.

The trade policy panel will  
consider requests to add about  
75 items to the duty-free list  
and to exclude 25 others.

### China invites foreign capital in quest for oil

New York, Aug 20.—China is  
openly sending out signals all  
over the western industrial  
world that it is ready to wel-  
come not only foreign oil ex-  
perts but also foreign risk capi-  
tal to develop its offshore oil  
potential for export, according to  
a Petroleum Intelligence  
Weekly report, published today.

This dramatic change arises  
from the new regime's decision  
to use foreign exchange export  
earnings to buy what China  
needs to make up for lost time  
on industrialization.

This time, it is China that has  
made the overtures—selective  
ones—and has apparently in-  
dicated that some formula accept-  
able to all parties can be  
worked out. That is unlike the  
situation five years ago, when  
even exploratory talks with  
foreign oil companies came to  
a dead end on ways and means  
acceptable to the Chinese.

The terms China is willing to  
consider for offshore explora-  
tion and development are still  
unclear, according to the mag-  
azine. But reports from Peking  
suggest they would include risk

contracts, similar to those in  
Iraq and Brazil.

Foreign companies would be  
reimbursed for exploration costs  
only if successful, through  
access to part of the produc-  
tion established. China would  
take over field development and  
own the output.

Of the four United States oil  
concerns China specifically in-  
vited for offshore discussions,  
Pennzoil and Exxon have al-  
ready returned. Pennzoil is try-  
ing to draft a proposal to sub-  
mit in about a month. An  
Exxon delegation also visited  
potential offshore exploration  
areas.

A Union Oil team is in China  
now, and Phillips Petroleum is  
scheduled to arrive next week.  
Possibly one or two other  
United States oil concerns will  
also be invited.

The Japanese already have  
tentatively agreed on develop-  
ment of oil resources in Pohai  
Bay, with discussion of details  
to start in September. A French  
group recently in China was  
examining possibilities of a ser-  
vice contract arrangement in  
the northern Gulf of Pohai.

### Alarm over paper trade imbalance

By Patricia Tisdall

An increase in imports to  
give near-record penetration  
levels is reported by the British  
Paper and Board Industry Fed-  
eration's latest trade results.  
The figures, covering the first  
six months of 1978 show a  
volume increase in imports of  
8.6 per cent, taking their pro-  
portion of consumption to 46.9  
per cent.

The Federation says that this  
is "uncomfortably close" to the  
all-time record of 47.2 per cent  
registered in 1974 "when very  
different conditions prevailed."

At that time all United King-  
dom paper mills were running  
at full capacity and excess  
demand could only be met from  
foreign sources. However, the  
industry is now working well  
below capacity and could have  
probably supplied another  
300,000 tonnes during the  
period reviewed, had the orders  
not gone overseas.

Production by British mills  
during the first six months  
effectively dropped by 2.2 per  
cent on the same period a year.  
Earlier paper producers com-  
pared with 2,182,000 for  
January to June, 1977.

Apparent consumption, how-  
ever, went up from 3.6 million  
tonnes to 3.7 million.

The federation says that some  
consolation can be found in the  
fact that most British mills are  
operating at modest profits,  
whereas the mills of the main  
exporting countries are still  
recording losses. Pressure is  
still coming from producers  
within the EEC, Spain and  
Brazil to sell to United King-  
dom customers in addition to  
the traditional Scandinavian  
suppliers.

### Repayment of Chrysler losses call

By Our Industrial  
Correspondent

Mr Eric Varley, Secretary of  
State for Industry, has been  
urged to ensure that Chrysler  
Corporation contributes its  
share of losses, sustained by its  
United Kingdom subsidiary this  
year, to the agreement negoti-  
ated between Chrysler and the Gov-  
ernment two and-a-half years ago.

In a letter to Mr Varley, an  
Opposition industry spokesman,  
Mr Michael Grylls, Conservative  
MP, North-west Surrey, asked if  
any payments had yet been  
made by the Government and  
Chrysler on the adjusted losses  
for this year.

If Mr Varley approved the  
proposed takeover of Chrysler's  
European operation by Peugeot-  
Citroën, it should be on the  
basis that Chrysler Corporation  
contributed its 50 per cent  
share of the 1978 and 1979  
losses, up to a maximum of  
£7.5m, and £5m, respectively be  
stated.

Mr Grylls has also raised the  
question of a £28m guaranteed  
loan, made by the Government  
to Chrysler, UK and guaranteed  
by the company's American  
parent. He told Mr Varley: "I  
hope it will be possible for you  
to ensure that this guarantee is  
assured by Peugeot-Citroën."

The Government should en-  
sure that a further seven-year  
loan of £35m, made by a con-  
sortium of London and Scottish  
clearing banks, and at present  
guaranteed by the Government,  
was taken over by Peugeot-  
Citroën, Mr Grylls argued.

These issues were among some  
of the important points to be  
covered before the Government  
approved the French takeover  
of Chrysler UK.

### Demise of Speke operation could provide object lesson to Linwood

Any Chrysler car workers who,  
as the American-owned com-  
pany faces up to its new crisis,  
are tempted to believe that one  
way or another their jobs are  
sacrosanct, might find it a salu-  
tary experience to visit the  
now idle Leyland car  
assembly plant on Merseyside.

Lorries rolling through the  
gates at Speke, Merseyside, and  
trundling equipment down the  
motorways to Coventry are a  
sharp reminder of 3,000 motor  
industry jobs that disap-  
peared overnight, and of an  
operation that having begun  
with high hopes ended in disas-  
ter.

Leyland's decision to shut  
the Speke assembly line and  
transfer TR 7 sports car pro-  
duction to Canley, Coventry,  
was something that Mr Michael  
Edwards, the Leyland chair-  
man, laid on the line as being  
a crucial element in his plans  
for reorganizing the company's  
car manufacturing operations.

When the plan was first an-  
nounced it looked like a politi-  
cally and industrially impos-  
sible piece of surgery. After all  
he was talking about losing  
3,000 jobs in a Special Develop-  
ment Area, where unemploy-  
ment, at more than 13 per cent,  
is among the worst in the  
country.

But at the end of the day—  
and after all the predictable  
noises had been made—it was  
the Speke workers themselves  
who recognized the inevitability  
of the closure. And they voted  
overwhelmingly to accept re-  
dundancy terms which were, ad-  
mittedly, among the best ever  
put on offer in the industry.

Threats, mostly from the

### £50m fall in National Savings

Heavy withdrawals of insti-  
tutional money led to a net fall  
of £49.9m in the level of  
National Savings in July. During  
that month there were receipts  
of £269.9m and repayments of  
£320.2m. The total sum admin-  
istered by the Department of  
National Savings stands at  
£10,392.5m.

Most of the repayments were  
made from the National Savings  
Bank's investment account,  
which suffered a net loss of  
£260.3m.

Of this, about £220m was  
accounted for by institutional  
withdrawals of money deposited  
in mid 1977, when heavy  
deposits by institutions led the  
Government to impose a £50,000  
ceiling on their use of the  
account.

This outflow was to some  
extent paid for by an inflow  
caused by purchases of the 14th  
issue of National Savings  
Certificates, with sales amount-  
ing to £162.6m. This was a  
sharp increase on the previous  
month and reflects a raising of  
the limit on holdings from  
£1,000 to £3,000.

### On other pages

Financial Editor	14
Business Diary in Europe	14
Letters to the Editor	15
Management	15
Business appointments	15
Financial news	15, 16
Commodities	16
Bank base rates table	16
Unit trust prices	16
Weekly share prices	17
Annual statement: Siebe Gorman Holdings	13

### SIEBE GORMAN HOLDINGS LIMITED

"Further profitable progress anticipated  
... level of incoming orders well ahead of  
last year."

Highlights from the Statement of  
the Chairman, Mr G C D'Arcy Biss:

- Record Group pre-tax profit of £4.47m.
- 14th successive year of increased profits.
- Turnover increased 17% to £42.54m.
- Earnings per share up from 25.2p to 28.1p.
- Excellent trading achievements by UK companies and nearly all overseas companies, increased sales.
- UK exports up 34%.

The Siebe Gorman Group designs and manufac-  
tures advanced technology fire fighting and under-  
water products, industrial safety and survival  
equipment, and leisure and protective wear.



BY THE FINANCIAL EDITOR

## Interest rates and Wall Street

A good number of reputations are going to be made or broken on Wall Street this year. Analysts and fund managers who missed out on the market turn this spring and who have subsequently missed out on the extension of that rally over the past three weeks are doubtless sweating profusely. Some continue to grit their teeth and argue that it is all too good to last, but their expectations of a major credit crunch before the year is out have been increasingly cast aside by the market.

Indeed, a major factor behind this month's strength on Wall Street has been quite simply the belief that interest rates had already peaked, or come so close to their peak that it was imperative to move in on the market before the Dow Jones Average lifted off into the 900s. Behind the argument that interest rates were on the verge of peaking has been a growing feeling that the economy was settling down to a more sedate and less inflationary rate of growth after the second quarter surge. As a result, it was argued, there was little more the Fed needed to do on the interest rate front—a view that the Administration too has clearly favoured.

the fundamentals working in their favour. Wall Street and other foreign markets have been buoyant. The dollar premium has been holding at comfortably over 50 per cent, which is high by recent standards. Some institutions have reportedly been buying trusts with big foreign assets as a way of pre-empting any Government move later this year to direct their investment more into smaller United Kingdom companies. Others, again, are believed to be anticipating an increase in the weighting of the sector in the FT Actuaries index later this year, which could lead some institutions to re-weight their own portfolios accordingly.

In view of all these influences, the only surprise is that investment trust discounts have not reduced still further. In January for instance, at the time of the bids for Edinburgh and Dundee Investment Company and British Investment Trust, the average discount fell as low as 21 per cent. Subsequently it moved back up to almost 30 per cent, but only last month another £85m was taken out of the sector via Barclays Bank's bid for the Investment Trust Corporation.

Moreover, it is widely felt that unless the anticipated bid comes quickly the sector will be beset by stale bids ready to liquidate their speculative holdings. In that case present discounts might not be sustainable for much longer, however attractive the fundamentals. Clearly the bids of the past year have not yet sufficed to tackle the underlying problem of oversupply of investment trust paper which is preventing share prices moving closer to underlying asset values.

### Life assurance Premium growth in perspective

On the face of it, the 20 per cent plus (and in some cases a great deal more) increase in premium income in all classes of life assurance business in the first half of this year over the same period in 1977 is a matter of congratulation. However, it does conceal one rather despondent fact: sales of conventional endowment assurance as a savings alternative are the weakest link.

The growth this year stems from special factors, notably the buoyant housing market, with the ancillary sales of either straight endowment or low cost endowment as part of the mortgage package; the conversion of the income bond maturities into immediate annuities; and thirdly a big push in ordinary business sales by the industrial assurance companies such as the Prudential and the Pearl which are trying hard to minimize high cost industrial business in their portfolios.

#### NEW LIFE ASSURANCE BUSINESS

	Six months ended June 30	
	1978	1977
	£ millions	
Annual	215	174
Single	238	194
Unit-linked annual	29	23
Unit-linked single	148	99

But in respect of annual premium policies in the traditional AB markets is the picture any different from the early part of 1977 when it was tempting to predict the decline of conventional life assurance? The answer must be, not much. The reluctance to enter into long-term contracts as a result of doubt that endowment contracts will prove a rewarding investment still seems to be there. Middle class money from the broker markets continues to by-pass its traditional home and is going into unit-linked single premium bonds.

The move to establish unit-linked subsidiaries by the major life insurance companies last year seems as valid as it ever did. Not even the Treasury's latest view in its Wilson evidence that the personal savings ratio has been consistently so high for so long because people are saving more to reinstate the real value of savings alters the outlook. Inflation will keep savings up, but conventional life assurance, the traditional answer to inflation, will take second place to the newer, more flexible forms of savings.



Mr. Michael Blumenthal, Secretary of the United States Treasury.

In that context, then, the extent to which Friday's decision to allow interest rates another notch represents any significant change of heart in official circles might be open to question: the political pressures to avoid any further tightening of credit and so increase the risk of recession in the first half of next year are obviously considerable.

Yet the evidence that the economy really is likely to slow sufficiently to relieve inflationary pressures is still no better than mixed. Friday's revised second quarter figures, for instance, indicated that both GNP growth and inflation were rather higher than estimated earlier.

As far as the money supply goes, the trend in M1 has been erratic to say the least over the summer months. But many monetary analysts are still looking for fairly strong growth in credit demand over the rest of the year and that could exert upward pressure on interest rates, either through the straight working of market forces or as a result of ultimate official acceptance that tighter monetary control really is needed both to reduce inflation and stabilize the dollar. It remains to be seen then if the Administration has done anything more than buy itself time.

### Investment trusts The speculative flavour returns

During the past couple of weeks the investment trust sector has seen a resurgence of speculative interest reminiscent of the exciting days of January. Once again expectations have built up, that another big bid is on the way. The would-be buyer is expected to be a nationalized industry pension fund, and several of the bigger independent trusts are being viewed as potential victims.

The impact on share prices has been pronounced. For example, Investors Capital, an £89m trust, has seen the discount to asset value on its share price narrow to 18 per cent, while London Trust, an £80m trust, has narrowed similarly. By contrast the average discount for the remainder of the sector stands at more like 26 per cent. Investment trusts have, in any case, had

Employers' and unions' representatives are expected to resume talks on a national agreement covering pay and conditions next month which, they hope, will help improve Britain's poor performance record on large engineering construction sites.

Progress has been slow and hesitant. More than eight years have passed since the National Economic Development Office report concluded that the negotiation of a single, comprehensive national agreement would be an instrument for reforming the anarchic practices of this industry whose main clients are the power, oil, chemical and steel industries.

The report disclosed that on multi-contractor sites, earnings, conditions and fringe payments, such as subsistence and travelling allowances, were subject to enormous disparities and a major cause of industrial unrest.

These agreements were merely the starting point for high-level local bargaining, as labour played one contractor off against another, or contractors sought to buy themselves out of trouble, often under pressure from clients. Chain reactions of claims and disputes were begun by companies both within and between sites.

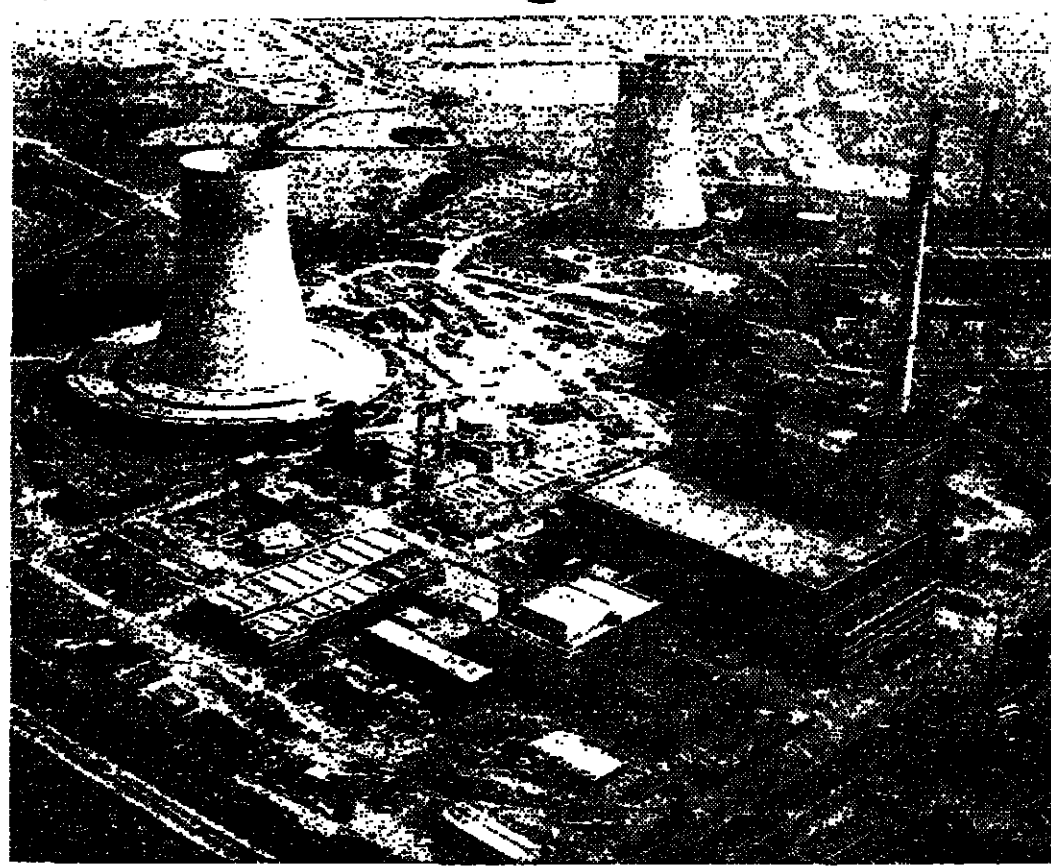
Despite some rationalization of the various bodies involved in negotiations, little progress was made towards a national agreement. It was largely to give a further push to the recommendations in the earlier report that the NEDO published, in December 1976, a comparative study of projects in Britain and abroad. The Engineering Construction Performance report demonstrated with disturbing clarity how poorly the industry fared in terms of cost and delivery times.

Since then performance has not improved. At present, there are probably 46 sites where the value of work exceeds £20m. The workforce is small—some 35,000 manual workers—but the total current expenditure by the process industries is large, with more than £2,500m tied up in onshore sites.

On several of these sites, performance has been bitterly and expensively—disappointing. Much public attention has been focused on the problems encountered by the Central Electricity Generating Board over its power station building programme. The cost of delays at the seven stations being built is now put at £900m of which about two-thirds was incurred by the nuclear stations.

One of them is Dungeness "B" in Kent, 10 years behind schedule and likely to cost £255m more than originally estimated. The oil-fired Ince "B" on Merseyside is likely to be completed three years late. Already more than one million working hours have been lost.

But the CEB's experience is by no means unique. A 500,000 tonnes ethylene plant, being built for an ICI-British Petro-



Ince B: three years late and a million working hours lost in construction.

leum joint venture on Teesside, is a year behind schedule. Its final cost is expected to be more than £150m—against the £120m estimated when the plant was first announced in 1974.

A similar delay is expected at Monsanto's chemical complex at Seal Sands, also on Teesside. And delays of up to three years are now expected on the £300m Ekofisk field terminal being built for the Phillips group, again at Seal Sands.

Labour problems are only part of the story and may merely be the end-product of other organizational failures. Certainly, other problems, highlighted in the NEDO reports, continue to manifest themselves. For instance, at Dungeness "B", labour disputes and poor productivity are estimated to have been responsible for only 23 months delay and 533m of the cost escalation. By comparison, technical design and safety difficulties were blamed for 47 months of the delay.

For this reason no one regards a national agreement as a cure all. Indeed, it can be argued that insufficient attention has been paid to other recommendations in the original NEDO report.

Some have been taken up, with varying degrees of commitment and success. A number of clients have made big improvements to on-site amenities. Training programmes for craft workers and management have been introduced through a sector committee of the Engineering Industries Training Board.

Clients have resolved to reduce the overlap of design and construction. The CEB,

recently that there was a question mark over Government and multi-national projects on Teesside because the industry could not build on time or to cost.

To bring order out of chaos is a complicated business. It requires the cooperation and commitment of clients, who are loosely formed in a national clients' group. It requires the coordination of employers on the one hand and the unions on the other, and their coming together into a joint negotiating body.

The principal employers' organization are OCPA, with about 40 members, and the sites group of the Engineering Employers' Federation with about 300 members. They have separate traditions, different methods of recruiting and organizing their workforces, and a main source of site dissatisfaction—pay settlements dates six months apart.

OCPA companies predominate on oil and chemical sites and EEF companies on steel and power sites. Those controlled by the OCPA operate site agreements, a common agreement covering all contractors working on a particular site.

Those controlled by EEF members work to the national Mechanical Construction Engineering Agreement, which allows each company considerable flexibility in setting its own terms and conditions. In seven unions are involved. They are the five craft unions represented on the National Engineering Construction Committee (the constructional and engineering sections of the Amalgamated Union of Engi-

neering Workers, the Electrical Electronic Telecommunications and Plumbing Union, National Union of Sheet Metal Workers, Copper-Smiths & Blacksmiths, Shipwrights Blacksmiths & Structural Workers) and the two general unions, the Transport & General and the General & Municipal. The last two are not signatories to OCPA agreement.

A joint working party, operating closely with clients, has been holding meetings for almost 18 months, the employers have submitted a draft agreement. No main terms have been included.

Earlier this year it was widely expected that a national agreement could be implemented from January 1979. This no longer seems possible.

A number of hurdles remain. Debate continues on the extent of the agreement—just a much detail should be included and how much left flexible, site-level negotiation, but work begins. There is also a question of how much money should be written in.

Both sides agree that higher proportion of low second-tier payments should be consolidated into the main rate.

But there is scepticism among employers that the union will control their on-site membership to prevent bonuses rising upwards from a high base.

Some form of central monitoring of site productivity schemes seems necessary if agreement is to be acceptable to clients.

A snag has arisen in the form of union differences over representation on the proposed negotiating machinery. Although the balance of the problem should be resolved soon.

Already it is clear that should a national agreement emerge, it will come too late to affect the start of work on the CEB's Drax B power station. The board is determined that mechanical engineering work will not be held until a site agreement has been drawn up.

All main contractors employing labour on-site would be required to join a "federated" arrangement. Many of the principles have been sought in a national agreement. How a national agreement would affect existing sites, still not clear. Could new rates, for instance, be introduced without conflicting with Government pay policy? Could some form of incentive arrangement be introduced?

The members of the joint working party still have a lot of issues to resolve. The price of failure could be continued chaos, and in the long term, loss of investment and jobs.

John Huxley

## End of Arab spending spree?

Arabs have been on a spectacular spending spree in Britain and Western Europe in recent years, but now they may be increasing their investments in the United States.

"I'm afraid the boom days in Britain are over," said Abdul Ghani al-Dallil, Economic Adviser to the Arab and International Bank for Investment.

"Arab investment will continue to be smaller on a smaller scale because changes in the British economy have not been as favourable from our point of view as they were a few years ago."

America is now experiencing the kind of conditions that Britain has experienced in the past, says al-Dallil. Britain received a large share of the wealth that flooded the Arab world when Arab producers quadrupled the price of their oil at the end of 1973.

The British Tourist Authority says at least 400,000 Arabs came to London last year and spent an average of £2,740 (about £1,380) each, displacing Americans as the biggest spenders.

There are an estimated one million Arabs living, working or playing in Europe, and at least a dozen Arabic-language papers have been launched for them.

Economic experts have conservatively estimated that Arabs have pumped at least £700m into Britain's ailing economy since 1974.

The Arabs mainly invested their riches in prestige property and in industry. Thousands headed for holidays in Europe when Lebanon, their traditional playground, was torn by war in 1975.

Paris and Geneva also have attracted the high-rolling oil sheikhs. Now, Arabs say, West Germany appears to be heading for a petrodollar boom.

But London has been the focal point of the Arab invasion. At least \$950m has been poured into British companies or used in buying property.

An Associated Press survey showed that the same has happened in other European countries, but on a smaller scale.

It is difficult to measure the true scale of the Arabs' financial stake in British commerce because they generally keep their shareholdings below 5 per cent, the level at which they must publicly declare themselves.

The Kuwait Investment Office, an agency of Kuwait's Finance Ministry, said last year it had invested £120m in blue chip companies, mainly prestigious financial institutions.

These include 5.8 per cent of the Bank of Scotland, valued at £4.4m; 5.8 per cent of Guardian Royal Exchange Association, valued at £13.8m; and 6.2 per cent of Legal and General Assurance, valued at £13m.

These figures, financial experts say, are probably only the tip of the Kuwaiti investment iceberg and only a fraction of the overall Arab stake in British companies.

The biggest visible impact in Europe, however, has been in property. Saudi Arabian interests bought the Dorchester Hotel in 1972 for £9m.

Saudi Arabian tycoon Akkram Ojeh paid about £7.5m for the laid-up liner France, once the pride of the French merchant fleet.

The Emir of Qatar bought a summer estate for an undisclosed amount in Geneva's Versoix lakeside suburb. He feeds his falcons raw mutton on the immaculate lawns.

But there are signs the boom in British at least, is slowing down. This is because investment returns in other parts of Europe and the United States look more attractive and because the Arabs are increasingly sensitive to British resentment at their wealth.

The Arabs, who British Government sources say have been spending up to £25m a year on doctors' bills in London's elite Harley Street or at private hospitals, now are looking elsewhere.

Arab royalty, politicians and businessmen pay their own bills. But most Arab governments subsidize treatment for their less prestigious nationals in London and a unique breed of diplomat has emerged to handle their medical problems—the health attaché.

But, Arabs claim, the boom has sent the fees charged by British doctors and hospitals sky-high and made many Arabs feel they are being cheated.

One Arab is said to have been charged £10,000 for dental work last year, far in excess of normal fees.

"We're now directing our people to Germany, Switzerland and Yugoslavia," an Arab diplomat said. Another complained: "Anyone with anything to sell automatically doubles his price when he sees an Arab coming."

Ross Davies

### Industry in the regions

#### Land-hungry Maidstone

Maidstone and its immediate neighbourhood is too land-hungry to be open-handed with its hospitality towards "foot-loose" industrialists.

Kent County's structure plan acknowledges the popularity of this part of the county for industrial development, but it sets out to inhibit exploitation of that popularity by gentle discussion of all applicants to whom the site of a new factory is not a vital consideration.

As a general rule, the plan in its present form (it now awaits final approval by the Secretary of State for the Environment) rules that if an applicant can be persuaded to relocate in some other part of Kent, he should be.

Maidstone's own town map, which has been approved, shows about 100 acres of industrial land, but only about 16 acres are immediately available for development. Planners are quick to point out that, of the rest, some are more available than others.

The borough council tends to be choosy about allocating its own sites. One of the first questions members of its lands group always want answered when they consider an inquiry is: how many jobs will it create?

The answer to that question usually means that factories are rather more welcome than warehouses.

Maidstone does not have especially high unemployment. Compared with some other parts of Kent, its 3.5 per cent is low. Most of the job seekers are unskilled, although there is a persistently strong contingent of building tradesmen among them.

But there is a fairly constant pool of married women seeking jobs, too.

The council's own 50-acre Parkwood industrial estate, in the south-east corner of the town, includes about 10 acres of land still to be developed.

In 1976 the council entered into a partnership development agreement with Industrial and Commercial Finance Corporation (ICFC) which is building small factory units at Parkwood.

Building began in March, and has been one of the local industrial development success stories. Although the first stage is not due to be completed until November, all but one of the seven units are under offer or already let.

These units are of three sizes: 3,200 sq ft, 3,600 sq ft and 5,400 sq ft, and rents are £1.60 a sq ft.

The second stage of this particular development is expected to make five more units of 6,000 sq ft each available by next April. The agents are

Ward and Partners of Chatham whose Mr James Warner said "Interest was so strong in Phase I units that all the lettings were completed before the agents' board went up."

Now the council is thinking of using more of the Parkwood land for smaller (1,000 sq ft) factory units.

Mr John Williams, the estate officer, said: "The council will be considering this idea further in the autumn, but we think there might be a demand for 'nursery' units of this size."

There could be another 10 acres of former quarry land near the town which is available almost immediately for light industrial development, if the council agrees to scheme later this year.

Would-be developers apply for sites in the Maidstone area (and, for that matter, in Kent generally) sometimes fall foul of the need for an Industrial Development Certificate (IDC) if their application involves more than 12,500 sq ft. A recent application for a 20,000 sq ft development that would have been welcomed by the local council was turned down because the applicant could not get the necessary IDC, and the town has had to be content with fewer jobs and a much smaller first-stage development instead.

Apart from the council-owned sites, there are about 15 acres of land and premises in Maidstone which are now in non-industrial use and for which permission would probably be given to convert or redevelop for industry.

Privately owned premises available for letting for industry in the town include the recent conversion of a former mill, Stevens (Chrystal) building. The building, which is almost in the town centre stands beside the River Medway within a few minutes' walk of three railway stations.

It has been converted into 26 units of between 1,000 and 40,000 sq ft each, letting for between £1.50 and £2.25 per sq ft.

There are opportunities for newcomers to mid-Kent just across Maidstone's north-west frontier, in neighbouring Tonbridge and Malling districts, where some 47 acres of industrial development is ready to begin. And there are plans to bring forward about 120 acres of new industrial land at a rate of about 15 or 20 acres a year.

But here, too, the structure plan stricture applies and, while the present policies operate, would-be industrialists are unlikely to be able to show that if they cannot come to this particular part of Kent, they will look outside the county altogether for a new site.

A declaration of that sort could make all the difference in a county whose policy is to put the encouragement of job opportunities first.

Ed Blanche AP-Dow Jones

## Business Diary in Europe: Spain's winning ways

Although the daily temperature in Madrid has been running at about 30°C, Christmas is plainly just around the corner for Father Christmas' busy helpers at the Spanish National Lottery Administration. The printing presses have already begun churning out tickets for the 1978 version of the annual Spanish Christmas lottery, bigger than ever and still by far the biggest single lottery drawing in the world.

"El Gordo" (the fat one), to be drawn next December 22 in Madrid, will scatter nearly £172m all over Spain, fulfilling the Christmas dreams of tens of thousands of Spaniards and a few foreigners as well. That is £16m more than last year, and it works out to average winnings of over £5 for every man, woman and child in the country.

With no less than 27 top prizes of £1,400,000 each among the more than 274,000 cash prizes, the winnings are bound to be well distributed as usual. More important, they are tax-free.

Fate is not always magnanimous with the winners. In 1974, a blind lottery seller in the Mediterranean village of Manises collected only 225,000 pesetas (slightly less than £1,600) for himself after selling the winning Christmas lottery.

It happened like this: as the drawing began, he still had a few shares to sell. So he stood in the market place chanting his number, hoping the housewives would buy one of the few remaining eighth-peseta "participations" or shares, pinned to his shirt.

Suddenly he was surrounded by a mob of screaming women who were trying to tear the bits of paper from the corners of his shirt. When the blind vendor, Señor Francisco Taragudo, did not know that at that moment the winning number had been given on radio and television. A friendly shopkeeper shouldered his way through the crowd and told him to put the last 32 pesetas worth of shares of the winning number in his pocket for himself.

If, in spite of such incidents, you don't mind the gamble, the pay-off in the Christmas lottery is particularly generous. The top prize in each of the 27 series brings a return of 10,000 to one. That means that for the cost of a "decimo", a one-tenth share of any number, you can win nearly £140,000, and a "decimo" costs only about £14. Nearly 176,000 holders of "decimos" will win the smallest prize, their money back.

It is now decided who is to have the key job of coordinating British consumers' representations in Brussels on proposed European legislation.

The issue has been one of the most contentious in the British consumer world this year, involving both a degree of rivalry between the National Consumer Council and Consumers' Association and a rebellious display of independence by other British consumer groups.

In the end, the National Consumer Council has got most of what they wanted. It is they who will account for an



Therese Maclear: voted "No"

additional grant of £35,000 from the Department of Prices and Consumer Protection for the work, and it is one of their research officers, Therese Maclear, who will shortly be announced as the new secretary of the coordinating committee which has been formed to make the British case as forcibly as possible in Brussels.

Ms Maclear might be thought to have had something of an inside track, since she had already done work for the committee in its previous, less formal and unfunded, existence. It was she, for example, who wrote their criticism of the European Commission's

proposed directive on doorstep selling.

But the job was advertised—at a Civil Service principal's salary which these days means something close to £10,000. Ms Maclear had thought that, though from a field of 60, although perhaps significantly there were no applicants at all from the staff of the Consumers' Association, which had provided the committee's secretariat hitherto.

Ms Maclear has never disguised the fact that she voted "No" in the referendum on British entry to the EEC, but apparently she is now reconciled to membership and sworn to do her best for British consumers.

The French Communist Party is organizing a big, sad rally in Paris next week of representatives from companies which are either bankrupt or facing bankruptcy. Thousands are sure to turn up as the party seeks to draw attention to what it sees as the fragile state of the French economy and the failure of Government to reduce unemployment.

As a preparation for this doleful gathering, the party's Sunday newspaper, *L'Humanité* *Dimanche*, this weekend published a list of 300 companies throughout France which are threatened with closure.

The list, says the paper pulling its hair, is not definitive. It is the best that could be put together by the different district committees of the party.

Nevertheless, it scarcely makes happy reading for the Government. More than 70,000 jobs are involved, including 1,000 in steel, 20,000 in different sectors of the metals industry, 7,500 in clothing and 4,500 in textiles.

Some of the companies mentioned have in fact already closed and are currently being sat-in or worked-in, such as the Cazevo machine tool plant at Saint Denis and the Chaix printworks, at Saint Ouen.

The list also draws attention to threats facing 6,000 workers in the Naval shipyards and to 3,000 workers at Alsthom-Atlantique.

Publication of the list ought to help *L'Humanité*'s sales. People who buy it will be able to check through it to find out whether there is any point in them turning up for work in the morning.

Spain's new purple passion, the 5,000 peseta banknote, has made its appearance. It could not have come at a better time for the company promoting a certain Spanish brandy under the slogan "Que bien se queda Carlos III" (When a good impression you make with Carlos III). The violet bills, worth about £35, are the largest denomination available and bear a portrait of his-named King Carlos III. Far from being a museum piece, the bill fulfils a crying need, with the annual rate of increase of the number of banknotes in circulation running at 20 per cent.



# LETTERS TO THE EDITOR

## vernment money for docks

D. J. Heys  
I like to support the  
ess by Sir Arthur  
Chairman of The Mer-  
Harbour Com-  
letter (August 21 on  
Government  
to the docks.  
my two colleagues  
the advisory com-  
up under the  
construction scheme  
se from the finan-  
experienced by  
Mersey Docks and  
board in 1970. Our  
principally to the  
of Government  
of the dock company  
sors to the board) as  
to be in the fu-  
company and relat-  
of interests of the  
the company's un-  
n stock.  
k and the associated  
ares were created by  
ourt as a means of  
to some extent, the  
writedown, of some  
t in the holdings of  
bond and debenture  
s of the board.  
is to be redeemed  
ts from the sale of  
d—a virtually impos-  
aking into account  
of the area involved  
ure and the present  
and economic situ-  
um profits of the  
cording to a rather  
l formula, although  
s in their discretion  
yments as they have  
wo occasions, when

the mandatory conditions do not  
apply. Only when the loan  
stock, which does not bear any  
interest until 1995, is fully re-  
deemed can the shares qualify  
for dividends.  
Naturally, my committee are  
vically concerned about the  
financial situation of the dock  
company and I would therefore  
take this opportunity to support  
most strongly Sir Arthur's hope  
that the Government will treat  
Liverpool in the matter of  
labour severance costs on the  
same basis as proposed for  
London.  
Mainly since the Aldington/  
Jones severances in 1972, which  
were Government financed,  
Liverpool has paid, by con-  
tributions into the Dock  
Labour Board National Sever-  
ance Fund some £7m, which  
represents about 54m more than  
has been drawn out for sever-  
ance payments in this area. In  
addition, some £3.5m of pay-  
ments have been funded locally.  
A large proportion of these  
amounts have been borne by the  
dock company as the largest  
employer of dock labour in the  
area.  
Further to this, over 54m has  
been paid out by the company  
in voluntary severance pay-  
ments to other senior staff in  
recent years. As Sir Arthur  
pointed out, the company are  
now faced with the need for  
further reductions in manpower  
which could involve a payment  
in respect of dock labour and  
other employees of over £3m.

Our stockholders, many of  
whom are people of small  
means and of advanced age, can  
only hope to obtain the redemp-  
tion of their stock and thereby  
some recompense for their cap-  
ital loss, in an equitable time.  
If the company makes substantial  
profits and has adequate cash  
balances. The company has by  
its exertions improved its finan-  
cial position sufficiently to en-  
able it to make modest repay-  
ments, at the directors' discre-  
tion, from profits in the past  
two years, but the company's  
ability to make profits has been  
greatly restricted by such items  
as redundancy payments and, a  
related factor, payment of  
statutory fall-back pay to sur-  
plus dock labour, pending  
severance arrangements.  
If the Government are now  
prepared to pay a large sum to  
the Port of London Authority  
to meet their redundancy costs,  
then in equity they should, as  
Sir Arthur says, apply the same  
principle elsewhere and thereby  
not only help the competitive  
position of the Port of Liver-  
pool, with all that means to the  
hard pressed regional economy,  
but also help the many small  
stockholders who have been the  
victims of economic change.  
Yours faithfully,  
D. J. HEYS,  
Chairman,  
Advisory Committee,  
Mersey Docks and  
Harbour Company,  
Port of Liverpool Building,  
Pierhead, Liverpool L3 1BZ.

## ing score on incomes

C. Surrey  
Economics Corre-  
August 17) accuses  
u Institute of scor-  
goals" in its  
o incomes policy,  
ed on his interpre-  
an article in our  
omic Review which  
at least until mid-  
difficult to find  
evidence that in-  
dies have produced  
uent lowering of  
That implies that  
ive edge conferred  
tion will always be  
ad by subsequent  
increases to offset  
tion-induced rise in  
rices. Three points  
nade.  
en if this erosion  
it will take time. In  
n, a competitive  
vill persist, and net  
ll be higher than  
have been; an in-  
ity can certainly  
duration of this  
given that some  
wages is needed if  
ion is to be effec-  
comes policy may  
ure, by explanation  
ion, the acceptance

of this macroeconomic truth at  
the microeconomic wage-bar-  
gaining level. It seems likely  
that this is what has happened  
since mid-1975, when there  
have been so far no signs that  
real wages will ultimately  
recover all of the losses con-  
sequent on sterling's fall.  
Finally, a more guarded  
reading of the article would  
interpret the evidence as sug-  
gesting that real wages are  
difficult to alter, not  
necessarily impossible. That is  
surely true, and goes a good  
way to explain why our prob-  
lems in reconciling high  
employment with balance of  
payments equilibrium verge on  
the intractable.  
The Institute is not scoring  
own goals in arguing both that  
incomes policies are difficult  
to operate successfully and at  
the same time indispensable.  
We are merely saying that in  
this game avoiding defeat is  
very difficult indeed.  
Yours faithfully,  
M. J. C. SURREY,  
Editor,  
National Institute Economic  
Review,  
2 Dean Trench Street,  
Smith Square,  
London SW1P 3HE.  
August 17.

## Ponds on the roof

From Mr E. Thompson  
Sir, Mr A. W. Wren (August  
14) should not assume that  
something has gone wrong  
when he can observe ponding  
on flat roofs.  
The British Standard Code of  
Practice for built-up bitumen  
felt roof coverings accepts that  
it is not always possible to pro-  
vide adequate falls to roofs. In  
those instances where it is not  
the code requires that the most  
durable types of bitumen felt  
must be used.  
One must not lose sight of  
the fact that the primary func-  
tion of any roof is to keep  
water out, and I suspect that  
the occupants of the buildings  
which Mr Wren sees every  
morning from his high-level  
commuter train would go along  
with this and that it is prefer-  
able for water to remain on top  
of the roof rather than below  
it.  
Yours faithfully,  
E. THOMPSON,  
Director of Technical Services,  
National Federation of Building  
Trades Employers,  
82 New Cavendish Street,  
London, W1,  
August 15.

# FINANCIAL NEWS AND MARKET REPORTS

## Anglo-American is casting an interested eye over Johnnies

In the confined world of  
South African business there is  
rarely smoke without fire. So  
when the share price of Johan-  
nesburg Consolidated Invest-  
ments—the mining and in-  
dustrial holding company  
known as Johnnies—began  
moving briskly about 10 days  
ago, the world was not that  
far from Anglo-American casting its  
eye over all or part of Johnnies.  
On August 9 the Johnnies  
price in London was £14 1/2  
premium, and by the following  
Friday, August 18, it was after  
reaching £18 two days before.  
At its peak the price had risen  
by 19 per cent in a week, com-  
pared with Anglo's 4 per cent  
and General Mining's 6 per cent.  
After allowing for record  
platinum prices at around  
£274 an ounce and the 30 per  
cent increase in diamond prices  
discussed here last week, John-  
nies was clearly being pushed  
up by more than speculative  
pressures.  
There is much logic in closer  
links between the two com-  
panies. Anglo already has half  
of the group, split between  
Anglo American itself with 40.8  
per cent and De Beers with 9.2  
per cent. Moreover, persistent  
rumours have circulated for a  
while that one of Anglo's more  
prominent directors, Mr  
Gordon Waddell, is about to  
succeed Johnnies' present  
chairman, Sir Albert Robinson.  
Anglo and Johnnies also  
share a network of overlapping  
business, by Anglo's  
normal standards, but the  
mercifully straightforward. The  
key area is platinum. Mr Wad-  
dell is reported to have  
remarked privately that plat-  
inum is likely to be much more  
exciting than either gold or

diamonds. Anglo has not been  
enchanted with Johnnies' re-  
cord in the platinum market.  
With Anglo Group holding  
just under 20 per cent of  
Rustenburg, the west's biggest  
producer of the metal, and  
Johnnies 28 per cent, there is  
clearly room for rationalization.  
Indeed, since Anglo swallowed  
Rand Selection last year, ra-  
tionalization has been the  
vogue word.  
Mining  
But the story goes further  
than platinum. In two other  
areas important to Johnnies—  
gold and diamonds—interests  
coincide as well. Johnnies has  
a 24.4 per cent stake in Ekurub-  
erg Gold Mining, one of the Far  
West Rand mines, while Anglo  
group controls a little less than  
8 per cent. Through Anglo  
American Gold Investment  
(Angold) the "octopus" has  
2.52 per cent of western areas,  
another far west Rand mine in  
which Johnnies' stake is 7 per  
cent.  
The connexion between Anglo  
over De Beers is of course  
much closer than the modest 1  
per cent Johnnies holds in De  
Beers Consolidated Mines.  
Anglo has 20 per cent of De  
Beers and De Beers the same of  
Anglo.  
But in fact Johnnies interest  
in unquoted diamond mining  
companies in the Central Sell-  
ing Organization's marketing  
group means that the area of  
mutual concern is bigger than  
appears on the surface.  
Other activities which might

entice Anglo are Johnnies' re-  
siduals in Tavistock Collieries  
(52 per cent) and The Natal  
Cambrian Collieries (wholly  
owned) which could fit in with  
Angold, and the 19 per cent  
stake in South African  
Breweries.  
Perhaps the most powerful  
argument in favour of a full  
merger is simply that Johnnies  
has no clear rationale as a semi-  
independent company. With a  
group balance sheet at the time  
of the last accounts a year ago  
of £287m (£171m) Johnnies  
does not have the muscle to  
undertake new mining ventures  
of its own at today's costs. The  
mining and industrial invest-  
ment field in South Africa is  
crowded, and owes more to  
history than to present  
realities.  
It would cost Anglo about  
£60m to buy out the rest of  
Johnnies, well within its  
capacity. After the Rand Sel-  
ector experience, the benefits  
from merging portfolios and  
personnel in a single organiza-  
tion seem obvious. The logic is  
reinforced by the absence of a  
clear alternative. Merging plat-  
inum alone would not give Anglo  
the same prominence over the  
market as De Beers enjoys with  
diamonds, and there could be  
anti-trust problems. There is a  
powerful lobby in South Africa  
that does not want to see Anglo  
get any bigger.  
Yet at the back of one's mind  
there is the feeling that  
nothing at Anglo is quite  
so simple. For the moment,  
however, the speculative in-  
terest in Johnnies is likely to  
be sustained, whatever the  
eventual rearranging.

Michael Prest

## Optimistic outlook at Magnet & S'thns

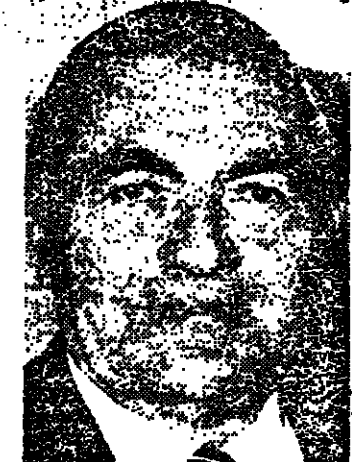
A better outlook for the cur-  
rent year at Magnet & S'thns  
Southern is expected by Mr  
Samuel Oxford, chairman, in  
his annual statement.  
In effect, he said, he said, by  
the sales to the home improve-  
ments markets which have  
maintained their upward move-  
ment and are expected to con-  
tinue at a good level.  
The group is particularly well  
equipped for dealing with the  
growing home improvements  
market with its factories work-  
ing at a high level of efficiency  
and which are well able to  
supply its large chain of selling  
outlets.  
Cost cutting under  
way at G. M. Firth  
Plans are under way at G. M.  
Firth (Metals) to reduce  
operating costs by capitalizing  
on earlier investment in prop-  
erty and buildings. The chair-

man said in his annual state-  
ment that this had become  
necessary owing to the group's  
sales position which had been  
marking time. This was a situa-  
tion which was expected to con-  
tinue for some time, he added.  
Meanwhile, the improved trad-  
ing in the fourth quarter of the  
year under review has con-  
tinued.

incoming orders for the initial  
months of the present year is  
well ahead of last year, while  
existing and new products and  
trading activities will serve to  
maintain the group's commer-  
cial edge  
Penn Central's  
Reorganization  
Philadelphia—Penn Central  
Transportation said it will  
emerge from bankruptcy on  
October 24, under terms of an  
order issued by the United  
States District court in Phila-  
delphia, which has been over-  
seeing its reorganization. The  
company said the court  
authorized the formation of a  
reorganized company to be  
known as Penn Central Corpora-  
tion and the transfer of man-  
agement from three court  
appointed trustees to a new  
board of directors.  
In the meantime, the level of

## Building materials and retailers set the scene

With the FT Ordinary share  
index maintaining its post 500  
level this first leg of the Bank  
Holiday account could be  
susceptible to any unexpected  
news—either trading or econ-  
omic.  
On this latter side, the pro-  
visional unemployment figures  
for August, out tomorrow will  
indicate how many of the  
school leavers have managed to  
find jobs while the other  
economic indicator, on Thurs-  
day, gives the capital spending  
level of manufacturing, distri-  
butive and service industries  
for the second quarter.  
Also on Thursday comes  
interim figures from index  
stock Blue Circle Industries.  
According to the outgoing  
chairman, Mr John Binny,  
sales during the first three  
months were hit by bad  
weather, but he told share-  
holders at the annual meeting  
that he hoped second quarter  
deliveries would pick up.  
However most analysts are  
going for some again pre-tax  
profits of around £22m at the  
halfway stage and the share  
price, at 293p, has already dis-  
counted this lack of growth.  
Tomorrow, shipping group  
Ocean Transport & Trading will  
be unveiling interim profits.  
Broker McAnally, Montgomery  
has recently downgraded its  
expectations and will be look-  
ing for some £5m against a  
previous £26m.  
A modest increase is expected  
from Johnson Group Cleaners  
on Wednesday. Against a  
£625,000 first-half last time,  
market men will be looking for  
some £825,000.  
TODAY—Interims: —Baynes  
(Charles), Secord, Blagden and  
Noakes (Hilgds).  
TOMORROW—Interims: —  
American Trust, Brooks Grp.,



Sir Rowland Wright, chairman  
of Blue Circle Cement.  
De Beers Consd. Mines, De  
Beers Industrial, Hongkong and  
Shanghai Banking Corp.,  
Ocean Transport and Trading,  
W. and E. Turner, Wedgwood  
(first quarter) and Wolf Elec-  
tric Tools (Hilgds).  
Finals—English and overseas.  
Invest, McKay Securities and  
Meyer Trade Supplies.  
WEDNESDAY—Interims: —  
Clay (Richard), Johnson Group  
Cleaners and London Brick.  
Finals: —Associated Dairies,  
Challenge Corp., Smith Wallis  
and Victoria Products (Walsend).  
THURSDAY—Interims: —Aldi,  
Insulators, Blue Circle Indus-  
tries, Five Forge, House of Fraser,  
Lec Refrigeration, Newarthill,  
and Scottish Invest Tst. (third  
quarter). Final: —Aeronau-  
tics and General Instruments,  
Palmerston Inv. Tst and Thame-  
s Flyway Manufacturers.  
FRIDAY—Interims: —Alliance  
Tst. G. Lovell and Gibbs and  
Dandy. Final: —F. Austin  
(Leighton), Knaufing Tin Dred-  
ging, Secord Alliance Tst. and  
Southern Kinta Consolidated.  
Alison Mitchell

## Issue prices slip as US interest rates rise

An apparent boost in short-  
term United States interest  
rates, continued turbulence on  
the foreign exchange market  
and vague gestures of support  
for the dollar by the United  
States officials left Eurodollar  
bond prices lower on average  
last week, writes AP-Dow Jones.  
Turnover fell markedly, in  
both the dollar and Deutsche-  
mark sectors, as most retail  
clients took to the sidelines,  
leaving the market mainly to  
professional traders. "Cus-  
tomers have been frightened off  
by the currency volatility," one  
dealer said. "There's been a lot  
of European central banks in various  
European central banks in various  
part of the slackening of  
volume.  
At the start of the week,  
Eurodollar bond prices held  
firm following the previous  
week's gains, on the lingering  
belief that United States short-  
term interest rates had nearly  
peaked.  
But as currency considera-  
tions intensified on Tuesday,  
with the dollar scoring record  
losses against the Deutschmark,

## Euromarkets

Swiss franc and yen and gold  
reaching a new high, prices  
were driven down by 1 to 4  
point. The market grew nervous  
ahead of a meeting of the  
United States Federal Reserve  
System's policy-making arm, the  
open market committee, and  
speculation that United States  
credit conditions could be  
tightened in response to the  
dollar's severe weakness.  
Towards the end of the week  
Eurodollar prices sank a further  
1 to 1 1/2 point as it became evi-  
dent that the Fed had raised  
the key rate on federal funds.  
The reserve banks lent one  
another from 7 1/2 per cent to 8  
per cent. Eurobond prices  
might have been cut even  
further, dealers said, had not  
been for the fact that the in-  
terest rate boost tended to  
harden the dollar's exchange  
rate for a time.

## Eurobond prices (yields and premiums)

US STRAIGHTS (\$)	Bid	Offer	British Columbia MFA	Bid	Offer
Australia 7 1/2 1984	83 1/2	83 3/4	1987	97	97 1/2
Australia 8 1/2 1984	84 1/2	84 3/4	Bank of Montreal 1984	98	98 1/2
Aust Mining 8 1/2 1992	100 1/2	100 3/4	Windsor 1984	97 1/2	97 3/4
Arco 8 1/2 1985	100 1/2	100 3/4	Deutsche Marks		
Arco 9 1/2 1985	101 1/2	101 3/4	ICI 1987	102 1/2	102 3/4
Banque Paribas 1984	99 1/2	99 3/4	ICI 2000 1984	101 1/2	101 3/4
Banque Paribas 1985	99 1/2	99 3/4	ICI 2000 1985	101 1/2	101 3/4
Banque Paribas 1986	99 1/2	99 3/4	ICI 2000 1986	101 1/2	101 3/4
Banque Paribas 1987	99 1/2	99 3/4	ICI 2000 1987	101 1/2	101 3/4
Banque Paribas 1988	99 1/2	99 3/4	ICI 2000 1988	101 1/2	101 3/4
Banque Paribas 1989	99 1/2	99 3/4	ICI 2000 1989	101 1/2	101 3/4
Banque Paribas 1990	99 1/2	99 3/4	ICI 2000 1990	101 1/2	101 3/4
Banque Paribas 1991	99 1/2	99 3/4	ICI 2000 1991	101 1/2	101 3/4
Banque Paribas 1992	99 1/2	99 3/4	ICI 2000 1992	101 1/2	101 3/4
Banque Paribas 1993	99 1/2	99 3/4	ICI 2000 1993	101 1/2	101 3/4
Banque Paribas 1994	99 1/2	99 3/4	ICI 2000 1994	101 1/2	101 3/4
Banque Paribas 1995	99 1/2	99 3/4	ICI 2000 1995	101 1/2	101 3/4
Banque Paribas 1996	99 1/2	99 3/4	ICI 2000 1996	101 1/2	101 3/4
Banque Paribas 1997	99 1/2	99 3/4	ICI 2000 1997	101 1/2	101 3/4
Banque Paribas 1998	99 1/2	99 3/4	ICI 2000 1998	101 1/2	101 3/4
Banque Paribas 1999	99 1/2	99 3/4	ICI 2000 1999	101 1/2	101 3/4
Banque Paribas 2000	99 1/2	99 3/4	ICI 2000 2000	101 1/2	101 3/4
Banque Paribas 2001	99 1/2	99 3/4	ICI 2000 2001	101 1/2	101 3/4
Banque Paribas 2002	99 1/2	99 3/4	ICI 2000 2002	101 1/2	101 3/4
Banque Paribas 2003	99 1/2	99 3/4	ICI 2000 2003	101 1/2	101 3/4
Banque Paribas 2004	99 1/2	99 3/4	ICI 2000 2004	101 1/2	101 3/4
Banque Paribas 2005	99 1/2	99 3/4	ICI 2000 2005	101 1/2	101 3/4
Banque Paribas 2006	99 1/2	99 3/4	ICI 2000 2006	101 1/2	101 3/4
Banque Paribas 2007	99 1/2	99 3/4	ICI 2000 2007	101 1/2	101 3/4
Banque Paribas 2008	99 1/2	99 3/4	ICI 2000 2008	101 1/2	101 3/4
Banque Paribas 2009	99 1/2	99 3/4	ICI 2000 2009	101 1/2	101 3/4
Banque Paribas 2010	99 1/2	99 3/4	ICI 2000 2010	101 1/2	101 3/4

## Dunhill's gentlemanly search for products with a touch of class

nhill, the tobacco  
company that subse-  
quently out into per-  
ry goods, not only  
the top end of mar-  
can be at risk in  
economic difficulty  
multi-product com-  
ing in a number of  
different markets  
than 90 per cent of  
overseas.  
is going through a  
duct and marketing  
although this is  
used with an app-  
roch of gentlemanly  
othman International  
a majority stake,  
l is still strongly in-  
y the family of the  
ho established his  
obacco shop in Lon-  
t Street, St James's,  
hard Dunhill, the  
is the grandson of  
r. Miss Mary Dun-  
r chairman, now in  
seventies, is presi-  
company.  
ily has some 15 per  
to equity and there  
Dunhill trust hold-  
1 the company's  
has been growing  
52.5m for the year  
June represented a  
cent rise in four  
-tax profit margins  
n declining. These  
er cent in 1974 and  
it the following year,  
margins were only  
8 per cent.  
ctor has been the  
production of some  
ods in hard currency

areas. The company has taken  
York its old New York  
based Lane tobacco company  
and Germany's Montblanc-Sim-  
ple, the up-market writing in-  
strument makers.  
Dunhill lighters have been  
made in Switzerland for some  
time, and the consistent  
strength of the Swiss franc and  
Deutsche mark has squeezed  
profits.  
In the last financial year the  
cost of developing new pro-  
ducts and businesses was more  
than £1m. Also, there was  
reduced demand for luxury  
merchandise in major Euro-  
pean markets and that key  
market for luxury goods, Japan.  
Dunhill's United Kingdom  
business is heavily depen-  
dent on foreign visitors, who  
had noticeably less money to  
spend in the last financial  
year.  
The answer at Dunhill has  
been to extend its range of  
luxury personal goods for men,  
with intensified marketing  
world-wide including an ex-  
pensive suits, shirts and knit-  
wear, was approached with  
some caution in 1976 as befis  
a sector which even old hands  
have been finding difficult if  
not downright loss-making.  
It was tried out first in  
Tokyo, then the City of London.  
Dunhill menswear will go into Ger-  
many shortly and United States  
outlets next year.  
Mr Tony Greener, an  
accountant and ex-Unilever  
marketing manager, who has  
been with Dunhill six years  
and has been managing direc-  
tor since 1975, is naturally



Dunhill's Tony Greener: look-  
ing for investment return.  
looking to a useful return on  
investment in menswear. But a  
big advantage is seen in rein-  
forcing the sales of other Dun-  
hill products by increasing the  
overall visual impact within a  
Dunhill display.  
So many of the other pro-  
ducts, particularly lighters,  
pipes, pens, men's jewelry and  
watches, are comparatively  
small in display terms.  
Dunhill products it  
was possible to tie up a lot of  
money without getting a really  
impressive display. Menswear  
changes that and gives a high

turnover—attractive to depart-  
ment stores—for a low capital  
investment", said Mr Greener.  
"The concept is to use the  
Dunhill name across a broad  
range of products. It becomes  
a statement of what Dunhill  
quality is. Then there is a rub-  
ber stamp on one well-known  
product on to a lesser-known  
product."  
Dunhill's male toiletries are  
going for more volume, with  
reformulation and new packag-  
ing, and they will have a wider  
distribution including chem-  
ists' shops.  
All this has diluted Dun-  
hill's heavy dependence on  
higher sales which in 1974  
represented 60 per cent of  
total turnover. The Japanese  
market was crucial then, and  
sales there levelled off after  
the oil crisis.  
"The luxury lighter market  
is unlikely to grow very much  
worldwide, but undoubtedly  
lighters will continue as an im-  
portant product for us gener-  
ating as they do a lot of cash",  
added Mr Greener.  
Financially, cigarettes are a  
relatively insignificant part of  
the Dunhill operation, being  
produced by Rothmans, which  
pays a royalty payment going to  
Dunhill. But in promoting Dun-  
hill's name the cigarettes are  
"most significant". Consumer  
surveys have shown that the  
company is best known for its  
cigarettes and lighters.  
Although pipe tobacco is a  
declining market, Mr Greener  
believes there is a considerable  
opportunity for growth in  
meeting demand for the  
lighter, aromatic tobacco.  
Dunhill still make their own  
pipes in London—Charaton,  
Parker and Hardcastle being  
among their other brand  
names. They are the market  
leader at the luxury end of the  
sector and one of the two  
major British producers.  
Mr Greener said: "The pipe

manufacturers' problem is that  
the cost of briar is still going  
up, but, partly because of our  
distribution strength and  
partly our production strength,  
we are in a good position to  
increase market share."  
Mr Greener has tackled the  
difficulty of selling so many  
different products by establish-  
ing a management structure in  
which three main board direc-  
tors are responsible for geogra-  
phical areas and three other  
senior executives have respon-  
sibility for groups of products.  
"These six call the shots,"  
he says. "If I get involved  
then we have a problem, either  
involving major policy or one  
of personality."  
Dunhill is on the lookout for  
new products, one possibility  
being a full range of Dunhill  
watches. Mr Greener says this  
route would not be pursued by  
acquisition. But Dunhill's  
strong balance sheet and consi-  
derable liquidity (£14.2m in-  
cluding short-term invest-  
ments) underlines the likeli-  
hood of the company taking  
the buying route again in pur-  
suit of diversification—when  
the right chance that fits its  
image-building comes along.

Derek Harris

## Banco Urquijo Hispano Americano Limited

is pleased to announce that  
with effect from MONDAY 21st AUGUST 1978  
the Bank will be located in new premises  
at

15 Austin Friars, London EC2N 2DJ

Telephone: 01-628 4499

Telex: 8813971

Cable: BUHALON LONDON EC2

## London swings... in an expensive way

costs in London  
red during the past  
few days, according to a  
survey published  
magazine Business  
last week.  
result, London is  
ow than Paris or  
nd is probably the  
t expensive capital in  
o businessmen, pre-  
ly by Brussels and  
e.  
a radical shift in  
osition since the  
reading at the end  
ar. Then, 17 countries  
imated to be more  
than the United  
Scandinavian coun-  
st Europe, France,

Germany and Switzerland as  
well as Belgium all registered  
higher readings than Britain.  
A shortage of executive  
accommodation in the centre  
of the city means that in Lon-  
don businessmen are having to  
pay between £35 and £40 a  
night, excluding breakfast or  
other expenses, says the sur-  
vey. In a really luxury hotel,  
room prices are even higher,  
but equally they can be a lot  
lower in the outskirts or in  
regional centres. In Birming-  
ham or Manchester for exam-  
ple, costs may be as much as  
30 per cent cheaper.  
On a global scale, daily costs  
in the oil-producing countries  
of the Middle East remain the

highest in the world. Kuwait  
and Saudi Arabia head the list,  
with daily charges giving an  
index reading (London equals  
100) of 186 and 184. But they  
are closely followed by Bah-  
rain, with an index of 170, and  
Qatar at 159.  
But even in these countries  
there has been a reduction in  
their expensive relative to the  
United Kingdom.  
The index for Bahrain, for exam-  
ple, has dropped from 242 at  
the end of last year to 170.  
Daily costs of accommodation  
and meals for executives stay-  
ing in Bahrain are estimated at  
£119; in Kuwait at £130 and in  
Saudi Arabia at £125, against  
the £70 which it is estimated is

needed for businessmen stay-  
ing in London.  
The index is based on the  
allowances used by internation-  
al civil servants when fixing  
rates for senior professional  
grades of staff travelling on  
official duty.  
The daily rates cover the  
cost of a single room with  
bathroom in a first class (but  
not luxury grade) hotel in the  
centre of a capital city as well  
as breakfast, lunch, dinner and  
service charges. They do not  
cover travel costs, such as a  
taxi, nor entertainment  
expenses.

Patricia Tisdall  
Management Correspondent



## FINANCIAL NEWS AND MARKET REPORTS

## Lull in tanker trade due to lack of tonnage

In both the tanker and dry cargo markets, last week saw rising rates to begin with followed by some easing as the close of trading approached. Speculation as to the sudden rise in the tanker market was still circulating, but hopes of the mini boom continuing took a knock as few fixtures were down in the second half of the week. This lull was due to a large degree to the absence of available tonnage which has been absorbed by the recent hectic chartering.

Brokers are however forecasting that rates will go on rising, possibly above world scale 40, over the next two weeks or so until tonnage brought out of lay-up begins to make its presence felt, which will also provide an incentive for lower rates.

According to market reports, Greek owners are leading the moves to bring tonnage out of lay-up, where as others who have had their fingers burned in similar situations over the past two years, are tending to hold off. Certainly if a large volume of tonnage is activated,

## Freight report

it will mean lean times for the rest of this year. It is only with the last few months that the withdrawal of tonnage into lay-up has provided a little more stability in the market.

In addition to the idea of a new European oil embargo being considered, by the Arab oil producers unless concessions are forthcoming from Israel at the next Middle East peace meeting to be held in the United States next month, and earlier than usual expression of fears over an Opec oil price rise at the end of this year, are being put down as the causes for the present tanker market boom.

Besides the two causes, brokers also indicate that oil stocks in the industrial nations have been steadily reduced in recent months and the threat of an embargo could be enough to have encouraged panic buying. Furthermore, there have been hints that the oil producers might restrict loadings later in the year near to the time of the Opec meeting.

As to last week's actual business, around a dozen Vics and two Ullcas were fixed. Payments for trips to Europe ranged from worldwide 31 up to worldwide 37.5 paid by Petrofin for a 260,000 tonner.

David Robinson

## Effect of frost on Brazilian coffee crop a matter of guesswork

How badly next year's Brazilian coffee crop has been damaged by the current cold weather seems largely to be a matter of guesswork.

One estimate, by Senor Camillo Calazans, president of the Brazilian Coffee Institute (IBC)—which he stressed was only an impression—was that Brazil would lose about 3m to 4m 60-kilo bags from the crop which, before the cold weather, he had thought might total some 20m to 22m bags.

Although some London traders had at first discounted Senor Calazans's figures, putting the potential losses at around 1m bags, later reports showing that there had been damage not only in Parana, but also in Sao Paulo and southern Minas Gerais, made Senor Calazans's figures seem more realistic.

A more pessimistic view of possible crop losses has been taken by Senor Fabio Melles, president of the Sao Paulo Agriculture Federation. He thinks that there will be a 30 to 35 per cent shortfall for Brazil as a whole, based on the pre-frost estimate of 20m bags.

Reuter has reported that Rio de Janeiro's one leading export house, which is part of the largest single producer group in the country, has said it is convinced that losses will prove to be around six million bags, about double the IBC figure.

The greatest uncertainty is about losses in southern Minas Gerais and although trade sources are extremely cautious about making estimates about damage there, the president of the state agriculture federation has put losses in that area alone as between two million and 2,400,000 million bags.

The great need now in the affected areas is for rain to assist the next flowering. On August 15, however, there was a dry spell, as happened after the disastrous 1975 frosts, flowering would be seriously hindered and next year's harvest could be worse than now expected.

One possible effect of the frost is that if Brazilian domestic needs for 1979-80 remain at six million to seven million bags, and the intention to export about 12 million bags is adhered to, there will be little chance of stocks in Brazil being built up behind the current low level of around three million bags.

Earlier, Senor Calazans commented on reports circulating overseas that Brazil would increase its direct indemnity to overseas buyers. He said that Brazil was not planning any measures to make its coffee more competitive.

Brazilian think about altering its export terms only

Dealers said that there seemed to be reluctance to trade below these levels and there was no further pressure for August-September sales. Nor was there any further talk by the Colombian Coffee Federation about a possible reduction in the minimum registration price. Rumours about this had been persistent earlier on.

Reports that Zaire would lift its 50 per cent force majeure on copper deliveries, imposed in July after the May rebel invasion, were confirmed last week by Sozocom, the Zaire metals marketing company.

Sozocom said that the present situation and the outlook for copper production by Gemina, the state-owned metals mining company, would allow removal of the restriction on existing contracts, applying to deliveries contracted from October onwards.

Copper production in Zaire's Shaba province was now higher than before the rebel invasion, Sozocom said. There was no comment on London speculation that deliveries cut back as a result of the action taken by the rebels.

However, there were reports from Peru that production and shipments of refined copper cathodes from the Ilo refinery could be suspended soon, although the mine, which the refinery has sufficient stocks of blister and is processing normally.

Southern Peru Copper Corp has declared force majeure on copper blister because of a strike at the Toquepala copper mine and the Ilo smelter. It was stated that if the strike drags on and shipments of blister do not resume, Minerio Peru will have to declare force majeure on cathode shipments soon.

The blister force majeure affects clients in the United States, Britain and Japan and deliveries to the Ilo refinery.

Wallace Jackson

Commodities Editor

## Commodities

after the International Coffee Organization had resolved the question of export quotas.

From New York, leading coffee traders were reported as saying last week that the Colombian Coffee Federation had sold about 1.5 million to 2 million bags of immediate and nearby shipment coffee to Europe and the United States in about 10 days to August 15.

Dealers noted that although sales figures were probably negotiated under long-term buying agreements with individual roasters, quotations for August and September shipment Colombians rose sharply during this heavy sales period from around 167 cents per lb exdock on August 7 to 180 cents per lb on August 14.

The price increase was based on a sharp rise in coffee "C" futures values following reports of frosts in Brazil. On August 15, however, there was a withdrawal from the market except for small sales of September shipment at 179 cents per lb to 181 cents.

Airfix optimism  
Airfix Industries, the toys, household goods and footwear group, should make a "considerable recovery" in the current year as order books are in a healthy state, according to chairman, Mr. Ralph Ebramson in his annual report to shareholders.

The group, which has invested £3.5m in machinery and tooling for new products, showed a fall in pre-tax profits from £4m to £2.7m for the year to March 31, 1978. A final dividend of 2.5p is recommended, making a total of 4.5p, against 4.3p.

David Robinson

Weekly list of fixed interest stocks

Stock	Latest Price	Prev. Price
Alb & Wilson 7% Deb	67	67
Alb & Wilson 8% Deb	70	70
Alb & Wilson 9% Deb	73	73
Alb & Wilson 10% Deb	76	76
Alb & Wilson 11% Deb	79	79
Alb & Wilson 12% Deb	82	82
Alb & Wilson 13% Deb	85	85
Alb & Wilson 14% Deb	88	88
Alb & Wilson 15% Deb	91	91
Alb & Wilson 16% Deb	94	94
Alb & Wilson 17% Deb	97	97
Alb & Wilson 18% Deb	100	100
Alb & Wilson 19% Deb	103	103
Alb & Wilson 20% Deb	106	106
Alb & Wilson 21% Deb	109	109
Alb & Wilson 22% Deb	112	112
Alb & Wilson 23% Deb	115	115
Alb & Wilson 24% Deb	118	118
Alb & Wilson 25% Deb	121	121
Alb & Wilson 26% Deb	124	124
Alb & Wilson 27% Deb	127	127
Alb & Wilson 28% Deb	130	130
Alb & Wilson 29% Deb	133	133
Alb & Wilson 30% Deb	136	136
Alb & Wilson 31% Deb	139	139
Alb & Wilson 32% Deb	142	142
Alb & Wilson 33% Deb	145	145
Alb & Wilson 34% Deb	148	148
Alb & Wilson 35% Deb	151	151
Alb & Wilson 36% Deb	154	154
Alb & Wilson 37% Deb	157	157
Alb & Wilson 38% Deb	160	160
Alb & Wilson 39% Deb	163	163
Alb & Wilson 40% Deb	166	166
Alb & Wilson 41% Deb	169	169
Alb & Wilson 42% Deb	172	172
Alb & Wilson 43% Deb	175	175
Alb & Wilson 44% Deb	178	178
Alb & Wilson 45% Deb	181	181
Alb & Wilson 46% Deb	184	184
Alb & Wilson 47% Deb	187	187
Alb & Wilson 48% Deb	190	190
Alb & Wilson 49% Deb	193	193
Alb & Wilson 50% Deb	196	196

Ex Dividend

Ex Dividend

Ex Dividend

Ex Dividend

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## Catalogue of gloom seen for engineering industry

Many observers have no time for engineering's backbones of British industry seemingly left alone by the latest economic upturn. Some, despairing of finding anything cheerful to say, counsel us to examine the companies and ignore the sector.

Mr Colin Fell and Mr Matthew Windridge of broker J & A Scrimgeour have a foot in both camps. In their *Engineering and Industrial* bulletin they recall their May opinion which was:

"The primary characteristics of the engineering and industrial sectors remain stagnation in demand coupled with pressure on margins... overseas we continue to view prospects with concern. The likelihood of further disappointing results... could still leave the engineering sectors vulnerable."

Brokers' views

Since then nothing has changed except sterling and that for the worse. It has risen, to the disadvantage of exporters. The change in dividend controls means little to most engineers. For most, dividends seem destined to stay at the usual 10 per cent. In some cases, indeed, the authors think that maximum payouts would not be justified.

Among engineering leaders the writers see little short-term extraction. GKN is politely described as going through a period of transition. Tube Investments is fairly valued; Vickers fights on for adequate compensation but suffers continuing big losses on offshore engineering.

Results from Delta Metal and IMI are expected to be disappointing but Scrimgeour supports McKenna Brothers. It has no enthusiasm for Lead Industries and Johnson Matthey may be a little exposed. Dowry and Dobson Park have already had a good run, and so have T. W. Ward and J. Fenner.

The quality if not the quantity of company profits make the shares attractive and despite a profits plateau, Stone-Platt warrants a higher rating. No early recovery is expected from Bridon, Remold and Pegler Hattersley. Streetly suffers from short term profits weakness.

This catalogue of gloom is echoed by broker Henderson Croxswell. Mr R. N. Philipson-Stowe writes that run of the mill engineers will find profits growth hard to come by in the next eighteen months.

Mr Philipson-Stowe says that industrial activity has not recovered much and he does not expect it to do so in the closing months of this year. Thanks to Phase Three wages are tending to rise faster than prices.

From these sad circulars we move to a jolly one from Mr J. P. Heron of broker W. Greenwell. He writes about

be settled by valuation of 2.8m shares in Reepack at 500 cents each, and £47.5m cash.

HAMPTON GOLD MINING

As a result of extension of dividend restraint, dividend for year to March 31 will now be reduced to 1.621p—an increase of 10 per cent.

GRESHAM IND

Lisding has been restored, having been restored on the Johannesburg Stock Exchange.

UPPER CLYDE SHIPBUILDERS

Report of official liquidator for year to June 14, 1978, shows funds at that date of £1.83m. Meeting of creditors on August 29, to receive report of liquidator.

Peter Wainwright

Unit Trust Prices—change on the week

FT Index change on week 512.9 -1.9(0.4%)

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